



Consolidated Financial Statements

North Portage Development Corporation

March 31, 2013

# Contents

	<b>Page</b>
Independent Auditors' Report	1
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Changes in Equity	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6-24



# Independent Auditors' Report

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To the Shareholders of  
North Portage Development Corporation

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of North Portage Development Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2013 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

The previous year's financial statements were audited by another firm of public accountants.

Winnipeg, Manitoba  
June 20, 2013

*Grant Thornton LLP*  
Chartered Accountants

# North Portage Development Corporation

## Consolidated Statement of Comprehensive Income

Year Ended March 31 2013 2012

<b>Revenue</b>		
Rental and parking income	\$ 5,485,198	\$ 5,455,663
The Forks Market	2,092,193	2,022,207
Theatre	651,728	624,113
Lease	1,286,532	1,303,030
Events, sponsorship, grants and recoveries	824,530	1,092,243
Investment	315,192	358,168
Miscellaneous	67,524	118,578
Recovery of prior years' expenses	<u>102,964</u>	<u>101,413</u>
	<u><b>10,825,861</b></u>	<u><b>11,075,415</b></u>
<b>Expenses</b>		
General and administrative	1,389,511	1,380,888
Rental and parking	2,447,980	2,465,534
The Forks Market	1,851,329	1,702,145
Theatre	841,512	951,943
The Forks Site and events	1,881,518	1,935,349
Planning and development	295,779	498,522
Marketing costs	456,100	443,852
Investment costs	78,735	58,552
Miscellaneous	<u>39,270</u>	<u>35,516</u>
	<u><b>9,281,734</b></u>	<u><b>9,472,301</b></u>
Operating income before the following	1,544,127	1,603,114
Interest expense	<u>(691,268)</u>	<u>(718,201)</u>
Income before amortization	852,859	884,913
Amortization	<u>(2,531,656)</u>	<u>(2,381,065)</u>
Loss before the following	(1,678,797)	(1,496,152)
Amortization of deferred contributions from shareholders	1,217,077	1,200,812
Unrealized and realized gains	425,727	141,675
Loss on sale of capital assets	(314,016)	-
Donations	(425,000)	(350,000)
Write-down of loan receivable	-	(109,500)
Debt forgiveness (Note 14)	<u>1,711,637</u>	<u>-</u>
Net income (loss) before discontinued operations	936,628	(613,165)
Discontinued operations (Note 22)	<u>(1,398,031)</u>	<u>-</u>
Net loss	<u><b>\$ (461,403)</b></u>	<u><b>\$ (613,165)</b></u>

**North Portage Development Corporation**  
**Consolidated Statement of Changes in Equity**

Year Ended March 31, 2013

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	2013 Total	2012 Total
Balance, beginning of year	\$ 3	\$ 8,000,000	\$ 39,310,266	\$ 9,693,195	\$ 57,003,464	\$ 57,616,629
Net loss	-	-	-	(461,403)	(461,403)	(613,165)
Balance, end of year	\$ 3	\$ 8,000,000	\$ 39,310,266	\$ 9,231,792	\$ 56,542,061	\$ 57,003,464

See accompanying notes to the consolidated financial statements.

# North Portage Development Corporation

## Consolidated Statement of Financial Position

March 31 2013 2012

### Assets

#### Current

Cash	\$ 1,109,020	\$ 436,925
Restricted cash (Note 6)	297	47,654
Short term investments	14,878,285	12,536,193
Trade and other receivables (Note 7)	647,096	1,220,453
Prepays and other	232,682	332,147
Investment held for sale (Note 8)	-	1,400,000
Current portion of tenant receivables	<u>5,922</u>	<u>6,761</u>
	<b>16,873,302</b>	<b>15,980,133</b>

Long term tenant receivables	29,695	34,499
Property, plant and equipment (Notes 9, 13 and 14)	14,999,722	16,097,290
Investment in properties and infrastructure enhancements (Note 10)	56,247,883	59,073,494
Deferred charges	<u>12,500</u>	<u>86,968</u>
	<b>\$ 88,163,102</b>	<b>\$ 91,272,384</b>

### Liabilities

#### Current

Accounts payable and accrued liabilities (Note 11)	\$ 2,723,214	\$ 1,815,146
Funds held in trust	250,876	231,076
Current portion of mortgage payable (Note 12)	343,235	328,745
Current portion of obligation under finance lease (Note 13)	<u>222,508</u>	<u>163,349</u>
	<b>3,539,833</b>	<b>2,538,316</b>

Loans payable (Note 14)	-	1,711,636
Prepaid land rents	615,381	623,468
Deferred revenue	146,737	221,640
Deferred contributions from shareholders	15,961,496	17,178,574
Long term mortgage payable (Note 12)	11,355,212	11,773,519
Obligation under finance lease (Note 13)	<u>2,382</u>	<u>221,767</u>
	<b>31,621,041</b>	<b>34,268,920</b>

### Shareholders' Equity

#### Capital stock

##### Authorized

Unlimited number of common shares

##### Issued


3 common shares

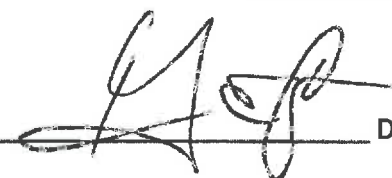
	\$ 3	\$ 3
Net equity	<u>56,542,058</u>	<u>57,003,461</u>

56,542,061 57,003,464

**\$ 88,163,102** **\$ 91,272,384**

On behalf of the Board

 Director

 Director

See accompanying notes to the consolidated financial statements.

# North Portage Development Corporation

## Consolidated Statement of Cash Flows

Year Ended March 31

2013

2012

Increase (decrease) in cash

<b>Operating</b>		
Net loss	\$ (461,403)	\$ (613,165)
Adjustments for		
- amortization	2,531,656	2,381,065
- amortization of deferred contributions	(1,217,077)	(1,200,812)
- debt forgiveness	(1,711,637)	-
- loss on sale of capital assets	314,016	-
	<u>(544,445)</u>	<u>567,088</u>
<b>Net changes in working capital balances</b>		
Trade and other receivables	573,357	(366,353)
Prepays and other	99,465	25,351
Accounts payable and accrued liabilities	908,068	422,341
Restricted cash	47,357	663
Funds held in trust	<u>19,800</u>	<u>(14,016)</u>
	<u>1,103,602</u>	<u>635,074</u>
<b>Financing</b>		
Deferred charges	74,468	25,532
Prepaid land rents	(8,087)	(8,087)
Deferred revenue	(74,903)	55,890
Deferred contributions received	-	517,621
Repayment of mortgage payable	(403,817)	(304,454)
Repayment of obligation under finance lease	<u>(160,226)</u>	<u>(154,963)</u>
	<u>(572,565)</u>	<u>131,539</u>
<b>Investing</b>		
Purchase of property and equipment	(1,061,453)	(977,916)
Proceeds from disposal of capital assets	2,138,960	-
Proceeds from investments held for sale	1,400,000	-
Short term investments	(2,342,092)	354,555
Tenant receivables advanced	<u>5,643</u>	<u>(41,260)</u>
	<u>141,058</u>	<u>(664,621)</u>
Net increase in cash	672,095	101,992
<b>Cash</b>		
Beginning of year	<u>436,925</u>	<u>334,933</u>
End of year	<u>\$ 1,109,020</u>	<u>\$ 436,925</u>

See accompanying notes to the consolidated financial statements.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 1. Nature of operations

#### Mission

The mission of the organization 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, 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.

#### Corporation background

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

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, Winnipeg, Canada.

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

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

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



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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 2. Basis of presentation

These financial statements are prepared on a going concern basis, under the historical cost model except for certain financial instruments that are measured at revalued amounts or fair values.

#### Basis of consolidation

The financial statements of the Corporation include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and North Portage Theatre Corporation, all of which are controlled by the Corporation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

All intra-corporation transactions, balances, income and expenses are eliminated on consolidation.

#### Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies in Note 3 have been applied consistently in all material respects.

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### 3. Summary of significant accounting policies

#### Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques.

#### Investment in subsidiaries

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

#### Revenue recognition

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

#### *Rental and parking income*

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

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

#### *Theatre income*

Revenue from the theatre is recognized when the service is provided.

#### *Investment income*

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

#### *Events, sponsorship, grants and recoveries*

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

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The corporation as lessor*

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

#### Land rents

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

#### Deferred charges

Deferred charges consist of prepaid building rent. The amounts are being amortized over 10 years.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

#### *The corporation as lessee*

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

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

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

#### **Foreign currencies**

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

#### Government contributions

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in comprehensive income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to comprehensive income over the useful lives of the related assets.

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

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

#### Property, plant and equipment

Items of property and equipment are recorded at cost and amortized over their estimated useful lives.

The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Amortization is calculated at the following rates:

Buildings	20-40 years
Building improvements	10-20 years
Equipment and computers	3-10 years
Equipment under finance lease	5 years

#### Investment property

Investment properties are measured at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

Buildings	20-40 years
Infrastructure enhancements	40 years

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

#### Impairment of tangible assets

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

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

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

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

#### Debt

All mortgage loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method. Transaction fees, costs, discounts and premiums directly related to the loans and borrowings are recognized in the statement of income and comprehensive income over the expected life of the borrowings. Interest payable is recognized on an accrual basis. Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

#### Provisions

The amount recognized as a provision (if any) is the present value of the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

#### Financial assets

Purchase and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

#### *Loans and receivables*

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

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

#### *Short term investments*

Short term investments consist of GICs, short term investments and active market equities. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

#### *Impairment of financial assets*

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and recognized in the statement of comprehensive income.

#### **Financial Liabilities**

Financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

In these financial statements accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

#### *Derecognition of financial liabilities*

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

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Summary of significant accounting policies (continued)

#### Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the method noted below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, short term investments, trade and other receivables, trade and other payables: The fair value of cash, short term investments, trade and other receivables, trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect of discounting is material.

#### Future changes to significant accounting policies

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The Corporation monitors the IASB work plans and publications to address any developments that may impact the organization.

The IASB published IFRS 9 – replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

The Corporation is currently evaluating the impact of these standards on its financial statements.

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### 4. Significant accounting judgments, estimates and assumptions

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

#### Judgments other than estimates

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

#### *Operating and finance leases*

The Corporation has entered into various lease agreements. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer and retention of significant risks and rewards of ownership of the properties covered by the agreements.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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#### 4. Significant accounting judgments, estimates and assumptions (continued)

##### Estimates

###### *Useful lives of property, plant and equipment and investment property*

The Corporation estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimate useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment and investment property are analyzed in Notes 9 and 10. Based on management's assessment as at March 31, 2013, there is no change in useful life during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

###### *Discontinued operations*

The Corporation estimated the potential future costs associated with the closing of the Imax Theatre at Portage Place, Winnipeg, Canada.

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#### 5. Financial instruments

IFRS 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 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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 1,109,020	\$ -	\$ -	\$ 1,109,020
Restricted cash	297	-	-	297
Short term investments	14,878,285	-	-	14,878,285
Accounts receivable	-	-	647,096	647,096



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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 5. 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, 2013 is \$682,713 (2012 - \$1,261,713).

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, accounts payable and accrued liabilities and funds held in trust approximates their fair value due to the immediate or short term nature maturity of these instruments.

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

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

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risk 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.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 5. Financial instruments (continued)

#### *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 comprehensive income and net equity.

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### 6. Restricted cash

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. The Corporation 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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7. Trade and other receivables	<u>2013</u>	<u>2012</u>
Trade receivables	\$ 546,356	\$ 571,701
Allowance for doubtful debts	<u>82,900</u>	<u>76,065</u>
Net trade receivables	463,456	495,636
Government remittances	2,413	31,177
Other receivables	<u>181,227</u>	<u>693,640</u>
	<u>\$ 647,096</u>	<u>\$ 1,220,453</u>

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

#### Aging of receivables that are past due but not impaired

31-60 days	\$ 64,458	\$ 285,443
61-90 days	174,864	21,319
91+ days	<u>203,920</u>	<u>226,104</u>
Total	<u>\$ 443,242</u>	<u>\$ 532,866</u>

#### Changes in the allowance for doubtful debts

Balance at beginning of the year	\$ 76,065	\$ 45,636
Impairment losses recognized on receivables	63,192	41,865
Amounts written off during the year as uncollectible	(57,020)	(1,436)
Amounts recovered during the year	663	(10,000)
Impairment losses reversed	-	-
Balance at end of the year	<u>\$ 82,900</u>	<u>\$ 76,065</u>

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 7. Trade and other receivables (continued)

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

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### 8. Investment held for sale

On January 8, 2010, the Corporation entered into an agreement with CentreVenture Inc. (a separate entity owned by the City of Winnipeg) to purchase 311 Portage Avenue and to jointly market it with the property at 315 Portage Avenue.

The Corporation contributed \$1,000,000 in cash and the property at 315 Portage Avenue, valued by management to be \$400,000.

During the year, the properties at 311 and 315 Portage Avenue were sold to a third party for \$2,800,000, with the Corporation being entitled to one-half of the net proceeds, being equal to the asset's carrying amount of \$1,400,000.

# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

### 9. Property, plant and equipment

	<u>Land</u>	<u>Property Under Construction</u>	<u>Plant and Equipment</u>	<u>Equipment Under Finance Lease</u>	<u>Total</u>
<b>Cost</b>					
Balance March 31, 2012	\$ 9,058,281	\$ 90,964	\$ 23,759,043	\$ 2,145,401	\$35,053,689
Additions	-	196,632	584,213	9,278	790,123
Write-off	-	-	(762,819)	(1,512,030)	(2,274,849)
Disposals	-	-	(14,611)	-	(14,611)
Transfer to plant and equipment	-	(171,084)	-	-	(171,084)
Balance March 31, 2013	<u>\$ 9,058,281</u>	<u>\$ 116,512</u>	<u>\$ 23,565,826</u>	<u>\$ 642,649</u>	<u>\$33,383,268</u>
<b>Accumulated amortization</b>					
Balance March 31, 2012	\$ -	\$ -	\$ 17,758,936	\$ 1,197,463	\$18,956,399
Elimination on disposal of assets	-	-	(825)	-	(825)
Amortization	-	-	828,196	214,980	1,043,176
Write-off	-	-	(526,206)	(1,088,998)	(1,615,204)
Balance March 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,060,101</u>	<u>\$ 323,445</u>	<u>\$18,383,546</u>
Carrying amounts	<u>\$ 9,058,281</u>	<u>\$ 116,512</u>	<u>\$ 5,505,725</u>	<u>\$ 319,204</u>	<u>\$14,999,722</u>

### 10. Investment in properties and infrastructure enhancements

	<u>Land</u>	<u>Building</u>	<u>Property Under Construction</u>	<u>Infrastructure Enhancements</u>	<u>Total</u>
<b>Cost</b>					
Balance March 31, 2012	\$ 29,124,578	\$ 15,037,783	\$ 4,939,520	\$ 55,094,916	\$104,196,797
Additions	-	102,174	209,773	139,245	451,192
Transfer to buildings	-	4,906,132	(4,906,132)	-	-
Disposals	(1,738,810)	(98,837)	-	-	(1,837,647)
Balance March 31, 2013	<u>\$ 27,385,768</u>	<u>\$ 19,947,252</u>	<u>\$ 243,161</u>	<u>\$ 55,234,161</u>	<u>\$102,810,342</u>
<b>Accumulated amortization</b>					
Balance March 31, 2012	\$ 531,494	\$ 5,713,020	\$ -	\$ 38,878,789	\$45,123,303
Elimination on disposal of assets	-	(49,324)	-	-	(49,324)
Amortization	-	549,307	-	939,173	1,488,480
Balance March 31, 2013	<u>\$ 531,494</u>	<u>\$ 6,213,003</u>	<u>\$ -</u>	<u>\$ 39,817,962</u>	<u>\$46,562,459</u>
Carrying amounts	<u>\$ 26,854,274</u>	<u>\$ 13,734,249</u>	<u>\$ 243,161</u>	<u>\$ 15,416,199</u>	<u>\$56,247,883</u>

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## North Portage Development Corporation

### Notes to the Consolidated Financial Statements

March 31, 2013

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#### 10. Investment in properties and infrastructure enhancements (continued)

All of the Corporation's investment property is held under freehold interests.

The fair market values of the Corporation's investment properties are not readily determinable with any level of precision. Further, due to the public nature of the properties, any valuation attributable would have significant uncertainty regarding the ultimate realization of the properties. As a result no disclosures regarding the fair values of the properties are included in these statements.

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11. Accounts payable and accrued liabilities	<u>2013</u>	<u>2012</u>
Trade payables	\$ 828,044	\$ 405,865
Accruals	1,737,189	1,272,425
Current deferred revenue	<u>157,981</u>	<u>136,856</u>
	<u>\$ 2,723,214</u>	<u>\$ 1,815,146</u>

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

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12. Long term debt	<u>2013</u>	<u>2012</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 together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	\$ 11,753,264	\$ 12,153,617
Unamortized transaction costs	<u>(74,481)</u>	<u>(78,268)</u>
	11,678,783	12,075,349
Farm Credit Canada loan bearing interest at 6% per annum, repayable in monthly blended payments of \$605. The loan matures on September 1, 2015 and is unsecured.	<u>19,664</u>	<u>26,915</u>
	11,698,447	12,102,264
Less current portion		
Mortgage loans	(347,035)	(332,545)
Transaction costs	<u>3,800</u>	<u>3,800</u>
	<u>\$ 11,355,212</u>	<u>\$ 11,773,519</u>

# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

### 12. Long term debt (continued)

Principal repayment terms are approximately:

2014	\$ 367,735
2015	384,981
2016	403,436
2017	426,801

### 13. Obligation under finance lease

#### Leasing arrangements

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2012 – 6.5 years). The Corporation has options to purchase the equipment for a nominal amount at the end of the lease terms. The Corporation's finance leases are secured by the lessors' title to the leased assets.

#### Finance lease liabilities

	<u>Minimum Lease Payments</u>	
	<u>2013</u>	<u>2012</u>
Not later than one year	\$ 87,461	\$ 186,693
Later than one year and not later than five years	2,358	247,243
Less: future finance charges	<u>(3,446)</u>	<u>(34,981)</u>
Present value of minimum lease payments	<u>\$ 86,373</u>	<u>\$ 398,955</u>
Included in the consolidated financial statements as		
Current portion	\$ 222,508	\$ 163,349
Long term portion	<u>2,382</u>	<u>221,767</u>
	<u>\$ 224,890</u>	<u>\$ 385,116</u>

### 14. Government contributions

	<u>2013</u>	<u>2012</u>
Amounts included in deferred contributions	\$ 15,961,496	\$ 16,660,953
Contributions received in the year	-	517,621
Amounts recognized in income in prior years	66,461,941	66,311,941
Annual amortization of deferred contributions	1,217,077	1,200,812
Amounts recognized in income in the current year	-	150,000
Donated land	8,000,000	8,000,000
Contributed surplus	<u>39,310,266</u>	<u>39,310,266</u>
	<u>\$130,950,780</u>	<u>\$132,151,593</u>

# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

### 14. Government contributions (continued)

North Portage Theatre Corporation (NPTC) received a repayable loan from Manitoba Development Corporation in the amount of \$1,800,000. The loan bears interest at 10% per annum after demand. The loan 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 \$88,363 (2012 - \$88,363). During the year, Manitoba Development Corporation forgave the remaining balance of the loan.

15. Share capital	<u>2013</u>	<u>2012</u>
<b>Authorized</b>		
Unlimited common shares		
<b>Issued and fully paid</b>		
3 common shares	\$ <u>3</u>	\$ <u>3</u>

### 16. Donated land

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

	<u>Government of Canada</u>	<u>City of Winnipeg</u>	<u>From Core Area Initiative</u>	<u>Total</u>
Acres	49	3.9	3.0	55.9

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

17. Finance costs	<u>2013</u>	<u>2012</u>
<b>Continuing operations</b>		
Interest on mortgage payable	\$ 671,680	\$ 689,824
Interest on obligations under finance leases	<u>19,588</u>	<u>28,377</u>
	<u>\$ 691,268</u>	<u>\$ 718,201</u>

The corporation was a beneficiary of an interest free loan in the amount of approximately \$1.7 million, the benefit of which is not reflected in these statements. During the year the loan was forgiven. If interest was considered at prime rate, the benefit would approximate \$50,000 (2012: \$50,000) per annum.

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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 18. Operating lease arrangements

#### The corporation as lessee

##### *Leasing arrangements*

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

<i>Payments recognized</i>	<u>2013</u>	<u>2012</u>
Minimum lease payments	\$ 109,111	\$ 167,567
Sub-lease payments received	238,483	275,297

#### The corporation as lessor

##### *Leasing arrangements*

Operating leases relate to the investment property owned by the Corporation with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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### 19. Commitments

The corporation has an obligation to operate the Imax Theatre at Portage Place for a 50 year period, ending in 2035. Annual losses from the theatre have ranged from \$300,000 - \$500,000 in recent years.

FRC has leased parking, storage and an office site at The Forks to December 2016. 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.

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### 20. Related party transactions

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



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# North Portage Development Corporation

## Notes to the Consolidated Financial Statements

March 31, 2013

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### 20. Related party transactions (continued)

#### Compensation of key management personnel

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

	<u>2013</u>	<u>2012</u>
Wages and other short-term benefits	<u>\$ 743,467</u>	<u>\$ 742,293</u>

#### Government related entity

NPDC has elected to apply the exemption regarding the disclosure of transactions and outstanding balances with government related entities.

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### 21. Management of capital

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

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

	<u>2013</u>	<u>2012</u>
Total debt and deferred shareholder contributions	<u>\$ 27,884,833</u>	\$ 31,377,590
Capital stock	<u>3</u>	3
Net equity	<u>56,542,058</u>	<u>57,003,461</u>
	<u>\$ 84,426,894</u>	<u>\$ 88,381,054</u>

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

The Corporation monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Corporation to reduce the cost of capital. 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.

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# **North Portage Development Corporation**

## **Notes to the Consolidated Financial Statements**

March 31, 2013

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### **22. Discontinued operations**

As at March 31, the corporation ceased the operations of the IMAX Theatre at Portage Place, Winnipeg, Canada resulting in a loss of \$1,398,031 inclusive of the present value of managements' estimate of future costs to settle all obligations.

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### **23. Comparative figures**

Certain of the prior year comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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### **24. Approval of the financial statements**

The financial statements were approved by the Board of the Corporation and authorized for issue on June 20, 2013.