



FORKS NORTH PORTAGE PARTNERSHIP 2009 Annual Report

Message From The Chair

As we move forward to 2010, we are pleased to provide our Annual Report, a summary of our activities over this last year.

As you read this report you will note that while this year was a busy one, the coming years are likely to be transformational at The Forks. What was once an abandoned rail yard is now the city's number one tourist destination and has the reputation as the city's "meeting place". That theme will endure, as it is central to all that we do.

The Forks North Portage and its board are excited to play an integral role in so many of the projects that will continue to shape our downtown as a whole, both at The Forks and in our North Portage mandate area. As part of our mission, we will continue to encourage activities for people in downtown through public and private partnerships.

I would like, on behalf of the Board of Directors, to express our sincere thanks to the countless individuals and organizations whose efforts helped us move forward with our plans, both in the past and today. Of special note, a thank you to our shareholders; the Honourable Vic Toews, President of the Treasury Board, the Honourable Steve Ashton, Minister of Intergovernmental Affairs, and His Worship Mayor Sam Katz. Another thank you to our sister organizations, CentreVenture and Downtown Biz.

Finally, on behalf of the entire Board, I would like to thank our senior management team led by Jim August and all the support staff for their efforts, diligence and commitment. It is because of your efforts that we all look forward to the future.

**Rick Bel
Chair**

Message From CEO

This year marks my tenth as CEO of The Forks North Portage Partnership. It has been quite a decade. We have seen numerous projects come to fruition over this period and some fall by the wayside. But, progress in our downtown is definitely being made.

Portage Avenue has one of the most successful entertainment venues in the country with the MTS Centre and the greenest office building in North America with the new Manitoba Hydro Building. The Skateboard Plaza at The Forks is recognized as one of the best worldwide. And many other projects have come on stream since 2000 including Esplanade Riel Bridge, Millennium Library, Mountain Equipment Co-op, Waterfront Drive developments, Credit Union Central, Red River College, Inn at the Forks, Winnipeg Regional Health Authority, and the developments underway at the University of Winnipeg. The residential offerings have increased and are targeted to a broad demographic mix. Urban neighbourhoods like the Exchange District and St. Boniface are experiencing new investment in residential and boutique retail operations. And of course the Canadian Museum for Human Rights (CMHR) was conceived in the previous decade and we are just beginning to see it in the early stages of development today.

Design excellence has become more important to the development community and to the City planning officials. Many of the projects mentioned are so successful because of their impressive design features and integration of the old with the new. Our excellent planning and architectural community have influenced this thinking throughout the entire downtown. We are seeing a renewed emphasis on design excellence and on good planning.

The last decade has been an exciting, challenging time. And even in this tough economic climate there is optimism and a strong sense that we can get things done.

The Forks North Portage Partnership is coming to the end of our own 10 Year Concept and Financial plan. We are in the midst of setting our vision for the next 10 years along with some specific initiatives. Fitting our vision into economic realities takes diligence and time. We see some great opportunities with the CMHR's expected opening in spring 2012. We also believe that the opportunities for expanded waterfront planning and development are immense. Winnipeg has a track record along the water with the success of The Forks and more recently Waterfront Drive. Overall, we have much to build on. We will be working diligently on our plan in the coming months, with expected community meetings and consultations taking place in spring 2010.

Message From CEO

I need to acknowledge all of the partners and sponsors who collaborate with us on the journey to improve our downtown. In particular I would like to mention CentreVenture, the Downtown BIZ, Exchange District BIZ, West End BIZ and all of our government partners. It is also important for me to personally recognize the great group of people I work with for their vision, diligence and good humour. And I must thank our board, led by Rick Bel, for their leadership through the process.

It is a good time to be in the downtown business. I expect that the next decade will bring a variety of new opportunities and it will be our job to make sure that we capitalize on them.

**CEO
Jim August**

The Forks

Mission-

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.

The Forks welcomes nearly 4 million visitors each year, earning it the distinction of being the province's most visited tourist attraction. It has been recognized as one of Canada's top 25 by Forbes Traveler.

The original idea of The Forks as the city's meeting place has certainly come to fruition and that theme runs through every aspect of operations, programming and future visions for the site.

Last year marked the 20th anniversary of The Forks and this year The Forks Market turns 20. Originally two stables, The Market was the lead project to open at The Forks and has been a popular meeting place ever since. This year, The Market returned to its roots, rebranding itself as a downtown neighbourhood grocery store to its area residents. A large celebration is planned for October 2009, with family programming and a gala honouring the seventeen original charter tenants.

While some come to The Forks to shop or dine, others come to play. Programming at The Forks is one of our hallmarks, with nearly 200 third party events hosted on the site each year.

The Signature Programming at The Forks is both innovative and exceptional. As with all programming undertaken by our organization, it is free to the public and provides an urban experience like no other in this city.

Winter programming has experienced the largest jump in attendance numbers. This year, the door counts used to track attendance were similar to those seen in July and August.

The Forks, working with Festival du Voyageur, broke our own Guinness World Record for the longest naturally frozen skating trail at 9.0 kilometres. The full length of the Trail was on the Assiniboine River due to frazil ice on the Red, allowing us to reach Assiniboine Park for

The Forks

the first time. The ensuing media earned The Forks a place on the national stage. The push for the extra length was made possible through Assiniboine Credit Union Rivertrail's sponsors as well as significant financial contributions from the Province of Manitoba and the City of Winnipeg.

Arctic Glacier Winter Park continues to gain in popularity year after year. It's through partners like Arctic Glacier, Great West Life, Investors Group, Scotiabank, Omni Facilities and many others that we can offer quality programming and great winter attractions.

We continue to work closely with Festival du Voyageur in creating a winter long festival that will include Assiniboine Credit Union River Trail, Arctic Glacier Winter Park and Festival du Voyageur.

The format of Scotiabank Family New Year's Eve catered to families once again with one mid evening fireworks show featuring the world champion fireworks of Archangel. Visitor numbers remained steady at 22,000 and families came throughout the day to enjoy programming inside and out.

Our Summer Concert Series Live on the Scotiabank Stage once again allowed us to partner with others to bring large scale programming to the site. The series is anchored by a Signature event, Canada Day at The Forks presented by Rogers, and includes long standing concerts like Kidstock and the Folklorama kickoff. This year's series was rounded out with an all local Manitoba event put on by Manitoba Music. The addition of the Winnipeg Symphony Orchestra to the Canada Day presented by Rogers was spectacular, with fireworks beginning with the 1812 Overture.

Casinos of Winnipeg Dancing Under the Canopy and Casinos of Winnipeg Salsa Sundays continued to attract loyal fans, new dancers and spectators throughout the summer. These Signature Series have a loyal following with their format of live music paired with professional dance instruction and fun.

The Plaza, the site's popular skate plaza, plays an important role at The Forks. It was recognized this year by the Wall Street Journal as one of the world's top ten skateparks for its innovative design.

The Forks

While no large scale competitions took place this year, there were many events within the park put on by third parties. Three weeks of Skate Camps at The Forks were once again generously supported by Investors Group.

The Inn at The Forks has built a solid clientele of conference, business and leisure travelers over its four year history. Their reputation has attracted local, national and international clients to their one-of-kind boutique hotel. This year they were awarded the 5 Key Eco Rating, one of only seven hotels in Canada to receive the green distinction.

The Manitoba Children's Museum (MCM) and Manitoba Theatre for Young People (MTYP) both continue to report strong attendance at their venues. This summer for the first time MTYP opened its doors to show *Strike! The Musical* by local playwright Danny Schur.

The flooding that began last winter, continued through this spring. The rapid rise of the river made clean up difficult and we were unsure if the Splash Dash Water Bus would be able to operate. All boats were in the water by early August.

As part of our commitment to find ways to reduce The Forks' carbon footprint to zero, we developed our own green initiative: Target Zero. This year, we have nearly completed the process of converting The Forks Market to a geothermal heating and cooling system.

Additional Target Zero initiatives included the installation of a bio-composting system, the successful conversion of waste fryer oil to bio-diesel to power site equipment and a full recycling program for The Forks Market. We continue to explore the possibility of a site-wide district geothermal system as well as solar loading ideas.

The Forks Foundation's mission is "to raise funds to support and enhance historical, cultural and public amenities at The Forks". Over the past year, The Foundation has received funds in support of public programs and donations from individuals purchasing a Forks bench to commemorate someone or recognize their business.

This past spring The Forks Foundation fundraiser Dine-About honoured Architectural Excellence. The Forks would not be what it is without the architectural and design expertise it has been privileged to utilize over the last twenty years. Fourteen members of the architectural community were recognized at the dinner in late May.

The Forks

This year we were excited to begin work on new projects that will enhance our reputation as the city's meeting place by bringing new energy to The Forks.

The Forks is a site of historic significance. A group of dedicated volunteers known as The Forks Heritage Advisory Committee play a major role in facilitating projects and programs that interpret the heritage of the site. As new projects are introduced to the site, opportunities to integrate heritage themes within these developments will be considered

Parks Canada announced the Variety Heritage Interpretive Playground to be built on Parks land. The \$1 million dollar project is expected to be completed by October 2010. It was also announced this year that Parks Canada was the recipient of \$1 million in federal Infrastructure money to be used to revitalize lighting, wayfinding, site furniture, irrigation, the amphitheatre, and river walkway surface. All projects are to be completed by March 2011.

Friends of Upper Fort Garry (FUG) achieved their fundraising goal to acquire the site for re-development as a heritage park. The Forks North Portage Partnership is acting as Management Group for the Friends of Upper Fort Garry to oversee the development of the site. Demolition is set to begin on 100 Main Street in the coming weeks and open houses are slated early in 2010.

The Canadian Museum for Human Rights, the largest project ever undertaken at The Forks began construction this year. The only federal museum to be located outside of the national capital area is slated to open in April 2012.

The Forks is currently exploring the feasibility of an energy efficient "green" mixed use development across the street from the Museum on a surface parking lot that would include parking, residential and commercial and enhanced public spaces. Public consultation work and completion of master planning work is scheduled for completion in Spring 2010.

North Portage

Catalyst for Change – The Forks North Portage Partnership

The mission of The Forks North Portage Partnership (FNP) 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.

The role of our organization is unlike any other in downtown Winnipeg. While acting as a catalyst for change we are also a development company, a parking manager, a theatre operator and stewards of the most popular tourist destination in the province among many other things.

The past year, our city has seen important new developments in our downtown. Large projects like Manitoba Hydro are mostly complete and we are beginning to see the benefits of an additional 2,000 additional office workers in our downtown. Plans are well underway to revitalize Central Park for use by a strong community of new Canadians, the MTS Centre continues to attract a large number of acts and patrons and the University of Winnipeg is expanding with new facilities to meet community and University needs

In neighbouring areas, Main Street will become the new home for the Winnipeg Regional Health Authority and the United Way, and the Exchange District's iconic Market Square is getting a facelift.

All of the developments, small or large, add to the rich fabric of our downtown. The Forks North Portage works alongside many of the dedicated organizations who will continue to shape the downtown.

North Portage

Mission –

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.

We took over the management of our parking operation at the North Portage and Forks sites four years ago, creating FNP Parking. We control 2500 parking spaces with 1500 on

North Portage

the North Portage site and our gross revenues were up 6% last year to \$4.5 million. Parking revenues were up throughout our downtown with the influx of the nearly 2000 Manitoba Hydro employees.

As our largest single revenue generator, parking is a large part of our overall operations. It also serves another important function. Parking is a catalyst for bringing people to our neighbourhoods. For example, through arrangements with IMAX Theatre, the Globe Cinema and Prairie Theatre Exchange we are able to offer free parking as an enticement to bring people to these venues.

FNP also formed its own in-house security team just over a year ago. We hired an experienced security manager to manage costs and increase overall effectiveness of our programs. Aside from cost savings achieved, creating our own security team has had other positive benefits: a bike patrol program in the North Portage neighbourhood has been implemented, a skatepark users group at The Forks brings together users to create a more secure environment and partnerships with the Winnipeg Police Service have garnered improved relationships.

The Forks North Portage Partnership is both owner and operator of IMAX Theatre in Portage Place. It continues to be a strong draw for students from all over the province, with over 35,000 attendees. Walk up sales for the theatre have declined this year, and attendance is below our projections. We continue to evaluate our film choices against educational content and mass appeal and are looking at other measures to improve the financial performance of the theatre.

We are exploring the possibilities of a lighting and retail strategy in the area behind Portage Place known as The Promenade. After analyzing traffic flow and identifying opportunities for both retail development and public space enhancement, the preliminary design concept includes a large canopy of lights leading from the doors of Portage Place to Central Park, creating a beautiful connection to the surrounding neighbourhood. This project will enter the feasibility phase in 2010/2011.

FNP has played a role in the downtown weather protected walkway system by providing financial management services to the project. The expansion will connect the existing

North Portage

walk way system through to the Winnipeg Convention Centre with an overhead passage from CityPlace Mall to 330 St. Mary, above Hargrave Street, and in front of the Delta Hotel connecting to the existing links at the Convention Centre and 155 Carlton. The walkway expansion is being funded by the Winnipeg Partnership Agreement, CityPlace, the Delta Hotel, LaSalle Investment Management, and the City of Winnipeg.

We purchased 315 Portage Avenue, the Mitchell Copp building as a redevelopment site and continue to seek interesting mixed use ideas for the space. We also continue to explore possibilities for the development of the pad sites at the east and west end of Portage Place.

Working in partnership with Hostelling International, FNP acquired the Downtowner Hotel several years ago on Ellice. The facility has gone from 75 to 100 bedrooms and is targeting 18,000 room nights with students, backpackers and travelers from around the world. The LO Pub has been doing extremely well within the neighbourhood and the management has now taken over the LO Café as well.

Over the past year we continued to work closely with the University of Winnipeg Community Renewal Corporation, chaired by Dr. Lloyd Axworthy, by participating on the Board and Development Committee and providing feasibility analysis, financial management, and accounting services.

We are collaborating with CentreVenture on their vision to revitalize Central Park. The project, a combination of funding from the public and private sector, will bring the historic park back to the community. Much of the project is slated to be completed this fall and it is anticipated it will become the focal point of its community.

FNP is also actively involved in the Downtown BIZ, with members of our staff participating at both the board and committee levels. We support the BIZ's initiatives in marketing our downtown and keeping it clean and safe.



FORKS NORTH PORTAGE PARTNERSHIP 2009 Annual Report

Thank You

**Alpha Masonry
Arctic Glacier Inc.
Audioworks
Burns Family Foundation
Canada Heritage
Canadian Museum for Human Rights
CentreVenture
Chicken Delight
City of Winnipeg
CJOB/Power 97
Destination Winnipeg
Downtown Winnipeg BIZ
Fero Corporation
Festival du Voyageur
Fenton's Wine
Fusion Communications
Government of Canada
Guppy Graphic Design
Half Pints Brewing Company
Hampton Inn and Suites Hilton
Home Depot
HOT 103
Investors Group
Johnston Terminal
Lea Marc Inc.**

**Manitoba Lotteries Corporation
Maxim Truck and Trailer
MTS
Nature Conservancy of Canada
Omni Facility Services Canada
Oxygen Property Group
92CITI FM
Parks Canada
Province of Manitoba
Q94 FM/1290CFRW/BOB FM
ReMax
Rogers
Scotiabank
Sony Canada, The Sony Store
TelPay
The Great-West Life Assurance Company
The Winnipeg Foundation
Travel Manitoba
VIA Rail
Wawanesa Insurance
Winnipeg Chamber of Commerce
Winnipeg Free Press
Winnipeg Police Service
Winnipeg Sun**

**NORTH PORTAGE DEVELOPMENT
CORPORATION**

Consolidated Financial Statements

Year Ended March 31, 2009



THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Directors of North Portage Development Corporation

We have audited the consolidated statement of financial position of North Portage Development Corporation as at March 31, 2009 and the consolidated statements of revenues and expenditures and net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 29, 2009

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2009

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

CONTINGENT LIABILITY

COMMITMENTS *(Note 17)*

ON BEHALF OF THE BOARD

_____ Director

_____ Director

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

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

1. DESCRIPTION OF BUSINESS *(continued)*

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

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

The funding has been allocated as follows:

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

(continues)

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

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

Consolidation policies

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

Investments - held for trading

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

Inventory

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

(continues)

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

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

Deferred charges

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

Deferred contributions

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

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related leases of 75 to 99 years.

Leases

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

Revenue recognition

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

Foreign currency translation

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

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

(continues)

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

3. CHANGE IN ACCOUNTING POLICY

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

Section 1400

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

Section 1535 Capital Disclosures

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

Section 3031 Inventories

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

Section 3862 Financial Instruments - Disclosures

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

Section 3863 Financial Instruments - Presentation

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

EIC 173

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

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

4. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

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

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

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

Liquidity risk

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

Market risk

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

Interest rate risk

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

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

Foreign currency risk

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

5. RESTRICTED INVESTMENTS HELD FOR TRADING

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

8. THE FORKS SITE

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

9. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

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

10. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

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

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

13. LONG TERM DEBT

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

Principal repayment terms are approximately:

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

17. COMMITMENTS

Facilities:

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

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

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

Equipment maintenance:

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

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

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

18. SUBSEQUENT EVENT

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

19. COMPARATIVE FIGURES

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