NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Financial Statements

Year Ended March 31, 2010

NORTH PORTAGE DEVELOPMENT CORPORATION

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Year Ended March 31, 2010

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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, 2010 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 company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2010 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 17, 2010

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NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	$ **803,125**	$ 947,975
Restricted cash *(Note 17)*	**704,965**	-
Investments - held for trading *(Notes 2, 3, 4)*	**13,668,807**	16,964,726
Accounts receivable	**637,034**	750,824
Investment in property development *(Note 3)*	**1,400,000**	-
Inventory *(Note 2)*	**7,616**	8,244
Prepaid expenses	**386,749**	439,596
Current portion of loans receivable *(Note 5)*	**10,022**	11,883
	17,618,318	19,123,248
LOANS RECEIVABLE *(Notes 5, 17)*	**281,876**	408,443
CAPITAL ASSETS *(Notes 2, 6)*	**21,813,327**	20,807,619
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS *(Note 8)*	**55,680,546**	57,346,829
DEFERRED CHARGES *(Note 2)*	**162,500**	212,500
	$ **95,556,567**	$ 97,898,639

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2010

	2010	2009
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 17)*	$ 2,563,291	$ 3,073,624
Security deposits received	56,342	55,632
Deferred income	166,540	37,296
Current portion of long term debt *(Note 12)*	287,786	272,031
Current portion of obligations under capital lease *(Note 13)*	203,143	206,368
Loan payable *(Note 1)*	1,711,636	1,711,636
	4,988,738	5,356,587
LONG TERM DEBT *(Note 12)*	12,379,803	12,667,589
OBLIGATIONS UNDER CAPITAL LEASE *(Notes 2, 13)*	533,634	789,542
DEFERRED CONTRIBUTIONS *(Notes 1, 2)*	18,996,077	21,014,469
PREPAID LAND RENTS *(Note 2)*	733,391	741,477
	37,631,643	40,569,664
NET ASSETS		
Share capital *(Note 14)*	3	3
Donated land equity *(Notes 2, 11)*	8,000,000	8,000,000
Contributed surplus *(Note 1)*	39,310,266	39,310,266
Net assets	10,614,655	10,018,706
	57,924,924	57,328,975
	$ 95,556,567	$ 97,898,639

CONTINGENT LIABILITY

COMMITMENTS *(Note 16)*

ON BEHALF OF THE BOARD

_______________________________ *Director*

_______________________________ *Director*

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Revenues and Expenditures and Net Assets

Year Ended March 31, 2010

	2010	2009
REVENUE		
Parking	$ **4,748,855**	$ 4,548,126
The Forks Market	**1,784,368**	1,808,551
Lease and land rents	**1,296,356**	1,291,486
IMAX Theatre	**973,238**	994,098
Interest income	**529,204**	696,039
Rental	**364,267**	366,290
Sponsorship	**369,898**	360,576
Forks Site recoveries	**253,493**	176,979
Events	**82,119**	82,359
Miscellaneous	**62,514**	40,926
	10,464,312	10,365,430
EXPENDITURES		
General and administration	**1,230,811**	1,149,189
Interest on long term debt	**721,540**	736,932
Investment fees	**106,775**	159,685
Marketing	**490,446**	479,399
Parking	**1,884,332**	1,759,555
Planning and development	**253,268**	256,360
Programs and events	**423,486**	505,173
Forks Site	**1,093,219**	1,137,836
Rental	**232,043**	243,065
Sponsorship	**74,314**	126,669
The Forks Market	**1,668,652**	1,651,922
IMAX Theatre	**1,181,567**	1,349,247
	9,360,453	9,555,032
INCOME FROM OPERATIONS	**1,103,859**	810,398
OTHER INCOME (EXPENSES)		
Adjustments due to reclassification of loan receivable *(Note 3)*	**(51,409)**	-
Expense Recovery	**214,068**	-
Adjustment of loan receivable to fair market value	**(30,803)**	-
Amortization *(Note 15)*	**(943,951)**	(1,182,852)
Waddell Fountain contribution	**(200,000)**	-
Canadian Museum for Human Rights donation	**(250,000)**	-
Unrealized and realized gains (losses)	**754,185**	(955,509)
	(507,910)	(2,138,361)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**595,949**	(1,327,963)
NET ASSETS - BEGINNING OF YEAR	**10,018,706**	11,346,669
NET ASSETS - END OF YEAR	**$ 10,614,655**	$ 10,018,706

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Cash receipts from tenants and customers	$ 10,223,769	$ 9,846,534
Cash paid to suppliers and employees	(9,207,645)	(7,350,865)
Interest received	529,204	696,039
Interest paid	(828,459)	(813,789)
Cash flow from operating activities	716,869	2,377,919
INVESTING ACTIVITIES		
Purchase of capital assets and investments in properties and infrastructure enhancements	(2,684,993)	(2,542,870)
Loans receivable issued	-	(5,000)
Repayment of loan receivable	7,564	21,718
Investment in property development	(1,000,000)	-
Change in investments - held for trading	3,994,543	1,119,402
Cash flow from (used by) investing activities	317,114	(1,406,750)
FINANCING ACTIVITIES		
Repayment of long term debt	(272,031)	(257,139)
Repayment of obligations under capital lease	(201,837)	(326,066)
Increase in restricted cash	(704,965)	-
Cash flow used by financing activities	(1,178,833)	(583,205)
INCREASE (DECREASE) IN CASH FLOWS	(144,850)	387,964
CASH - BEGINNING OF YEAR	947,975	560,011
CASH - END OF YEAR	$ 803,125	$ 947,975

1. DESCRIPTION OF BUSINESS

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

The merger of the operations of The Forks Renewal Corporation ("FRC") and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial 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, owns and operates an Imax theatre within the Portage Place Retail Complex.

FNP Parking Inc. (FNP) was incorporated under the Corporations Act of Manitoba November 6, 2006 and commenced operations at that time. The corporation operates various parking locations in downtown Winnipeg and at The Forks.

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.

(a) North Portage Development Corporation

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

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	5,000,000
	$ 71,000,000

The funding has been allocated as follows:

	2010	2009
Deferred contributions	$ **11,565,241**	$ 12,381,805
Amortization of deferred contributions recognized in income	**20,670,187**	19,853,623
Contributed surplus	**37,052,933**	37,052,933
Applied to operations	**1,711,639**	1,711,639
	$ **71,000,000**	$ 71,000,000

(continues)

1. DESCRIPTION OF BUSINESS *(continued)*

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

	2010 (cumulative)	2009 (cumulative)
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.	1,706,819	1,706,819
CentreVenture Development Corporation	510,696	510,696
The Winnipeg Foundation	150,000	150,000
Energy Development Initiative	25,000	25,000
	$ 52,249,852	$ 52,249,852

The funding has been allocated as follows:

	2010	2009
Deferred contributions	$ 7,430,836	$ 8,632,664
Amortization of deferred contributions recognized into income	26,834,176	25,632,348
Contributed surplus	2,257,333	2,257,333
Applied to operations	15,727,507	15,727,507
	$ 52,249,852	$ 52,249,852

(continues)

1. DESCRIPTION OF BUSINESS *(continued)*

(c) North Portage Theatre Corporation

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

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	**3,900,000**	3,900,000
	$ 7,500,000	$ 7,500,000

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, 2010, 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:

Changes in accounting policies

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure relating to the fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial statements relating to fiscal years ending after September 30, 2009. These disclosures have been included in these financial statements.

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:

(continues)

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

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.

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.

(continues)

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 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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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 place 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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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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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.

The Corporation prepares its financial statements in accordance with Canadian GAAP as defined by Canada's Accounting Standards Board (AcSB). The AcSB has announced its intention to converge Canadian GAAP with international financial reporting standards (IFRS) over a transition period ending October 2011.

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.

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	$ 803,125	$ -	$ -	$ 803,125
Restricted cash	$ 704,965	$ -	$ -	$ 704,965
Investments- Held for trading	$ 13,644,585	$ -	$ -	$ 13,644,585
Accounts receivable	$ 637,034	$ -	$ -	$ 637,034
Investment in property development	$ -	$ -	$ 1,400,000	$ 1,400,000
Loans receivable	$ -	$ 291,898	$ -	$ 291,898

INVESTMENT IN PROPERTY DEVELOPMENT

During the year, North Portage Development Corporation (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 has been included in the statement of operations as part of 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, 2010 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.

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3. FINANCIAL INSTRUMENTS *(continued)*

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.

Management has assessed the fair value of the loan receivable based on the assumption that the loan will not be paid until the 5 year expiry period, and the assumption that normal interest rates on a loan of this nature, based upon asset security and risk of non-repayment would be bank prime plus 2%. The loan receivable is included in the consolidated statement of financial position at the net present value of the original loan utilizing management's assumptions. A loss of $30,803, relating to the adjustment to management's estimate of fair value has been recorded in the consolidated statement of revenues and expenditures and net assets.

Another loan receivable from a tenant in the amount of $22,701 approximates the net present value of cash flows to be received based on loan rates and repayment amounts management would expect to receive on similar debt.

During the year, management reassessed opening loans receivable, and reclassified a loan advanced to a tenant in the amount of $85,862 as a tenant inducement, based on the fact that collection was not assured, yet the amount still had future benefit through continual rental payments to be received from the tenant. In accordance with the company's policy for amortizing tenant inducements, $51,409 was expensed in the current year, relating to accumulated amortization since inception of the loan. The expense was amortized prospectively due to a change in management's estimate of the collectibility and value of the asset

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 $928,932.

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.

(continues)

3. FINANCIAL INSTRUMENTS *(continued)*

The carrying value of $291,898 in loans receivable approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

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, 2010, with all other variables held constant, net revenues and expenses would have been $121,530 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 $121,530 lower.

The above sensitivity analysis relates solely to the investments - held for trading and obligations under capital lease as at March 31, 2010.

Interest Rate

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 $86,307 higher. Similarly, had the interest rate been a plausible 1% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been $86,307 lower.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2010.

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, 2010, with all other variables held constant, net revenues and expenses would have been $153,242 higher in terms of unrealized gains. Similarly, had the overall market value rate been a plausible 5% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been $153,242 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, 2010.

4. RESTRICTED INVESTMENTS HELD FOR TRADING

$13,668,807 is held for further development of the North Portage area.

5. LOANS RECEIVABLE

	2010	2009
Loan receivable, bearing interest at 6.5% per annum, receivable in monthly instalments of $1,148 including interest, due July 2012, secured by specific equipment	$ 22,701	$ 34,464
Loan receivable, non-interest bearing, no specific terms of repayment, unsecured	-	85,862
Loan receivable, non-interest bearing, receivable by earlier of grant funding or from operating cash flows from the project and five years from the date of advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc.	269,197	300,000
	291,898	420,326
Amount receivable within one year	(10,022)	(11,883)
	$ 281,876	$ 408,443

6. CAPITAL ASSETS

	2010 Cost	2010 Accumulated amortization	2009 Cost	2009 Accumulated amortization
The Forks site *(Note 7)*	$ 34,455,555	$ 19,391,140	$ 33,949,618	$ 18,207,136
3D projector	1,375,781	584,707	1,375,781	447,128
Theatre equipment	132,426	51,573	132,426	38,331
Box office	42,107	29,403	45,777	24,927
Theatre facilities	3,216,531	3,210,227	3,216,531	3,206,920
Theatre renovation	358,711	80,890	353,933	45,019
Fixtures and signage	72,261	72,261	72,261	72,261
Rental buildings	5,468,527	1,024,173	3,226,138	853,649
Parking equipment	1,448,595	491,734	1,383,758	275,236
Office equipment	317,119	254,002	310,882	238,875
Leasehold improvements	298,127	234,814	298,127	215,334
Computers	522,188	469,677	516,802	449,599
	$ 47,707,928	$ 25,894,601	$ 44,882,034	$ 24,074,415
Net book value	$ 21,813,327		$ 20,807,619	

7. THE FORKS SITE

	2010 Cost	2010 Accumulated amortization	2009 Cost	2009 Accumulated amortization
Land	$ 120,694	$ -	$ 120,694	$ -
Building	8,249,032	3,824,588	7,941,987	3,622,344
Roads and services	7,248,732	5,941,359	7,189,436	5,847,555
Parks and plaza	9,054,118	4,614,741	9,054,118	4,169,517
Parking structure	5,002,682	952,116	5,002,682	765,394
Furniture and equipment	1,466,086	1,142,155	1,433,689	1,052,978
Equipment under capital lease	295,925	114,258	283,275	84,982
Tenant allowances and pre-opening costs	3,018,286	2,801,923	2,923,737	2,664,366
	$ 34,455,555	$ 19,391,140	$ 33,949,618	$ 18,207,136
Net book value	$ 15,064,415		$ 15,742,482	

8. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2010	2009
North Portage properties and infrastructure enhancements *(Note 9)*	$ 42,498,412	$ 43,806,282
The Forks infrastructure enhancements *(Note 10)*	5,487,488	5,845,901
The Forks donated land *(Note 11)*	7,694,646	7,694,646
	$ 55,680,546	$ 57,346,829

9. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2010 Cost	2010 Accumulated amortization	2009 Cost	2009 Accumulated amortization
Land assembly and demolition	$ 26,954,125	$ -	$ 28,542,935	$ -
Site servicing	4,306,438	6,128,226	4,306,438	6,008,953
Development projects	3,576,449	-	2,401,395	-
Infrastructure enhancements	33,993,622	20,203,996	33,993,622	19,429,155
	$ 68,830,634	$ 26,332,222	$ 69,244,390	$ 25,438,108
Net book value	$ 42,498,412		$ 43,806,282	

10. THE FORKS INFRASTRUCTURE ENHANCEMENTS

	2010		2009	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Clearing and relocation	**$ 2,257,333**	**$ -**	$ 2,257,333	$ -
Land carrying costs	**1,771,316**	**1,770,087**	1,771,316	1,769,907
Site servicing	**5,519,123**	**4,543,348**	5,519,123	4,426,256
Development projects	**588,510**	**584,189**	588,010	582,017
Infrastructure enhancements	**6,363,231**	**4,114,401**	6,363,041	3,874,742
	$ 16,499,513	**$ 11,012,025**	$ 16,498,823	$ 10,652,922
Net book value	**$ 5,487,488**		$ 5,845,901	

11. THE FORKS DONATED LAND

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

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

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the Board of Directors on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land 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

	2010	2009
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement represented by a first charge on the following lease agreements: Cityscape Residence Corp, The Kiwanis Club of Winnipeg Seniors Building Inc., 2700760 Manitoba Ltd, Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$ 12,667,589**	$ 12,939,620
Amounts payable within one year	**(287,786)**	(272,031)
	$ 12,379,803	$ 12,667,589

Principal repayment terms are approximately:

2011	$ 287,786
2012	304,453
2013	322,086
2014	340,739
2015	360,473
Thereafter	10,764,266
	$ 12,379,803

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 $5,245 (2009 - $8,180), in IMAX Theatre expenses in the amount of $17,922 (2009 - $28,820), and in FNP Parking in the amount of $27,940 (2009 - $30,904).

The payment terms in Canadian dollars are as follows:

2011	$ 249,948
2012	193,442
2013	193,442
2014	149,959
2015	67,480
Thereafter	13,088
Total minimum lease payments	867,359
Less: amount representing interest at various rates	130,582
Present value of minimum lease payments	736,777
Less: current portion	203,143
	$ 533,634

14. SHARE CAPITAL

Authorized:
Unlimited Common shares

	2010	2009
Issued:		
3 Common shares	$ 3	$ 3

15. AMORTIZATION

Included in amortization is the following:

	2010	2009
Amortization of capital assets	$ (2,961,344)	$ (3,201,237)
Amortization of deferred contributions	2,018,392	2,018,386
	$ (942,952)	$ (1,182,851)

16. 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.

Subsequent to year end, the Corporation agreed to a further two year extension of the option dates.

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.

iii) 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. 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:

2011	$ 120,889
2012	114,470
2013	70,270
2014	54,345
2015	54,345
	$ 414,319

17. 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.

Naomi Howell

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

(hereinafter called the Insurer)

9425216

COMMERCIAL INSURANCE POLICY

RENEWAL POLICY DECLARATIONS

Policy Number: CP654710
DBIL

NAME OF INSURED: WOLIGROSKI, JUDY O/A YUDYTA'S UKRAINIAN FOOD INC.

MAILING ADDRESS: C/O 781 POLSON AVENUE
WINNIPEG, MANITOBA
R2X1M4

POLICY PERIOD: FROM: 04 OCTOBER 2010 TO: 04 OCTOBER 2011

12:01 a.m. Standard Time at the Mailing Address of the Named Insured as stated herein

TOTAL PREMIUM PAYABLE: $ 889

BROKER: 5180-20.00 ED KURTZ INSURANCE SERVICES INC

5-2727 PORTAGE AVENUE
WINNIPEG, MB
R3J0R2

President

Authorized representative

12-08-10

COPY

THIS POLICY CONTAINS (A) CLAUSE(S) THAT MAY LIMIT THE AMOUNT PAYABLE

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY
(hereinafter called the Insurer)

RENEWAL POLICY DECLARATIONS

Number
CP654710

COMMERCIAL INSURANCE POLICY

The named insured
WOLIGROSKI, JUDY O/A YUDYTA'S UKRAINIAN FOOD INC.

Entity
CORPORATION

Location of the premises (Location 1)
1 FORKS MARKET ROAD UNIT 122
WINNIPEG, MANITOBA R3C4L8

Construction
MASONRY / STEEL DECK ROOF

Insured's occupancy/operations
UNLICENSED RESTAURANT

Occupancy by others
VARIOUS OFFICE & RETAIL

Loss, if any, is payable to:
THE INSURED

POLICY PERIOD FROM: 04 OCTOBER 2010 TO: 04 OCTOBER 2011
12:01 a.m. Standard Time at the Mailing Address of the Named Insured as stated herein

This Policy insures only the Coverages specifically indicated below.
Reference should be made to the applicable forms or riders for details.

SUMMARY OF COVERAGES AND LIMITS OF INSURANCE

APPLICABLE FORMS	COVERAGES	DEDUCTIBLE ($)	CO-IN-SURANCE	LIMITS OF INSURANCE ($)	PREMIUM ($)
	PROPERTY - Broad Form				
FI4037	COMMERCIAL PROPERTY - BROAD FORM	500	90%		
	EQUIPMENT		90%	77,000	416
	STOCK		90%	5,000	55
EN0170	CONSEQUENTIAL LOSS ASSUMPTION CLAUSE			Included	Included
EN0073	AUTOMATIC CO2 MAINTENANCE CLAUSE				Included
EN0403	MIS. OF DATE, DATA & TERRORISM EXCL.				Included
EN0409	FUNGI & FUNGAL DERIVATIVES EXCLUSION				Included
	CRIME				
CR0733	OUTSIDE ROBBERY (HOLD-UP)			2,500	33
	INSIDE ROBBERY (HOLD-UP)			2,500	Included
	LIABILITY				
EN0162	ADDITIONAL INSURED ENDORSEMENT			Included	25
LI0770	COMMERCIAL GENERAL LIABILITY	500			360
	EACH OCCURRENCE			2,000,000	Included
	AGGREGATE - PROD. & COMP. OPERATIONS			2,000,000	Included
	PERSONAL & ADVERTISING INJURY			2,000,000	Included
	MEDICAL EXPENSE - ANY ONE PERSON			2,500	Included
	TENANTS' LEGAL - ANY ONE PREMISES			50,000	Included
				LOCATION PREMIUM	**889**

12-08-10 **COPY**

THIS POLICY CONTAINS (A) CLAUSE(S) THAT MAY LIMIT THE AMOUNT PAYABLE

LIABILITY RATING SCHEDULE

Policy Number Effective Date 04-OCT-2010
Attached to and forming part of ADDITIONAL INSURED ENDORSEMENT

Classifications	Class Code	Premium Bases	Rate	Premiums
THE FORKS RENEWAL CORPORATION 1 FORKS MARKET ROAD, WINNIPEG, MANITOBA R3C 4L9 - ON LIABILITY ONLY AS LANDLORD	5811	0 Revenue	0.000	25

Sub-total Premium	25
Minimum Premium	0
Total Advance Premium	25