BCCA LLP
Chartered Accountants
1505-444 St. Mary Ave
Winnipeg, Mb
R3C 3T1

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

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I N D E X

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INDEPENDENT AUDITORS' REPORT

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, 2012 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, 2012 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters:

Without modifying our opinion, we draw attention to Note 3 of the financial statements which describes that North Portage Development Corporation adopted International Financial Reporting Standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

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

BCCA LLP

June 21, 2012
Winnipeg, Manitoba

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(stated in Canadian dollars)

	As at March 31 2012	As at March 31 2011 (unaudited)	As at April 1, 2010 (unaudited)
A S S E T S (note 12)			
CURRENT:			
Cash	$ 436,925	$ 334,933	$ 814,125
Restricted cash (note 5)	47,654	48,317	704,965
Short term investments	12,536,193	12,890,747	13,668,891
Trade and other receivables (note 6)	1,220,453	854,100	590,184
Prepaids and other	332,147	329,242	362,320
Investment held for sale	1,400,000	1,400,000	1,400,000
Current portion of tenant receivables	6,761	-	-
	$15,980,133	$15,857,339	$17,540,485
LOANS RECEIVABLE (note 8)	-	-	269,198
LONG TERM TENANT RECEIVABLES	34,499	-	12,679
PROPERTY, PLANT AND EQUIPMENT (notes 9, 13 and 14)	16,097,290	16,824,166	17,080,883
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (note 10)	59,073,494	59,749,767	60,428,737
DEFERRED CHARGES	86,968	140,756	194,545
	$91,272,384	$92,572,028	$95,526,527
L I A B I L I T I E S			
CURRENT:			
Accounts payable and accrued liabilities (note 11)	$ 1,815,146	$ 1,392,805	$ 2,465,626
Funds held in trust	231,076	245,092	308,092
Current portion of mortgage payable (note 12)	322,086	304,453	287,786
Current obligation under finance lease (note 13)	170,008	159,959	144,183
	$ 2,538,316	$ 2,102,309	$ 3,205,687
LOANS PAYABLE (note 14)	1,711,636	1,711,636	1,711,636
PREPAID LAND RENTS	623,468	631,555	639,641
DEFERRED REVENUE	221,640	165,750	76,166
DEFERRED CONTRIBUTIONS FROM SHAREHOLDERS	17,178,574	17,861,765	18,996,077
LONG TERM MORTGAGE PAYABLE (note 12)	11,753,263	12,075,349	12,379,802
OBLIGATION UNDER FINANCE LEASE (note 13)	242,023	407,035	592,594
	$34,268,920	$34,955,399	$ 37,601,603
S H A R E H O L D E R S' E Q U I T Y			
SHARE CAPITAL:			
Authorized:			
Unlimited number of common shares			
Issued:			
3 common shares	$ 3	$ 3	$ 3
NET EQUITY (page 4)	57,003,461	57,616,626	57,924,921
	$57,003,464	$57,616,629	$57,924,924
	$91,272,384	$92,572,028	$95,526,527

APPROVED ON BEHALF OF THE BOARD:

____________________ Director

____________________ Director

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31, 2012

(stated in Canadian dollars)

	2012	2011 (unaudited)
REVENUE:		
Rental	$ 271,301	$ 269,210
The Forks Market	2,022,207	1,985,052
Theatre	624,113	1,111,895
Parking	5,184,362	4,839,981
Public amenities recoveries	275,691	255,655
Lease	1,303,030	1,298,369
Events revenues and recoveries	52,643	107,061
Sponsorship and grants	683,226	599,327
Investment	358,168	500,710
Miscellaneous	118,578	103,192
Security services recoveries	80,683	88,161
Recovery of prior years' expenses	101,413	226,225
	$11,075,415	$ 11,384,838
EXPENSES:		
General and administrative	$ 1,285,821	$ 1,113,105
Mortgage finance fee	3,788	3,788
Investment costs	54,764	100,872
Rental	199,503	200,122
Theatre	951,943	1,270,526
The Forks Market	1,702,145	1,718,993
Parking	2,266,031	2,372,886
Programming and events	436,499	473,505
The Forks Site	1,409,365	1,230,415
Planning and development	498,522	285,256
Marketing costs	443,852	395,956
Sponsorship	94,558	158,383
Security services	89,485	85,267
Miscellaneous	36,025	55,347
	$ 9,472,301	$ 9,464,421
OPERATING INCOME BEFORE THE FOLLOWING	$ 1,603,114	$ 1,920,417
Interest expense	(718,201)	(744,976)
INCOME BEFORE AMORTIZATION	$ 884,913	$ 1,175,441
Amortization	2,381,065	2,240,373
LOSS BEFORE THE FOLLOWING	$ (1,496,152)	$ (1,064,932)
Unrealized and realized gains	141,675	144,897
Amortization of deferred contributions from shareholders	1,200,812	1,200,812
Donations	(350,000)	(300,000)
Write-down of loan receivable	(109,500)	(289,072)
NET LOSS FOR THE YEAR	$ (613,165)	$ (308,295)

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2012

(stated in Canadian dollars)

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	Total
BALANCE AT APRIL 1, 2010	$ 3	$ 8,000,000	$ 39,310,266	$ 10,614,655	$ 57,924,924
Effect of the application of IFRS	-	-	-	-	-
BALACE AT APRIL 1, 2010, restated	$ 3	$ 8,000,000	$ 39,310,266	$ 10,614,655	$ 57,924,924
Comprehensive income	-	-	-	(308,295)	(308,295)
BALANCE AT MARCH 31, 2011	$ 3	$ 8,000,000	$ 39,310,266	$ 10,306,360	$ 57,616,629
Comprehensive income	-	-	-	(613,165)	(613,165)
BALANCE AT MARCH 31, 2012	$ 3	$ 8,000,000	$ 39,310,266	$ 9,693,195	$ 57,003,464

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended March 31, 2012

(stated in Canadian dollars)

	2012	2011 (unaudited)
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	$ (613,165)	$ (308,295)
Adjustments for:		
- amortization	2,381,065	2,240,373
- amortization of deferred contributions	(1,200,812)	(1,200,812)
- unrealized losses	-	348,377
	$ 567,088	$ 1,079,643
Net changes in working capital balances		
Trade and other receivables	(366,353)	(263,916)
Prepaids and other	25,351	36,867
Accounts payable and accrued liabilities	422,341	(1,072,821)
Restricted cash	663	656,648
Funds held in trust	(14,016)	(63,000)
	$ 635,074	$ 373,421
FINANCING ACTIVITIES		
Deferred charges	$ 25,532	$ 50,000
Prepaid land rents	(8,087)	(8,087)
Deferred revenue	55,890	89,584
Deferred contributions received	517,621	-
Repayment of mortgage payable	(304,454)	(287,785)
Repayment of obligation under finance lease	(154,963)	(169,783)
	$ 131,539	$ (326,071)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	$ (977,916)	$ (1,304,686)
Short term investments	354,555	778,144
Tenant receivables advanced	(41,260)	-
	$ (664,621)	$ (526,542)
INCREASE (DECREASE) IN CASH		
during the year	$ 101,992	$ (479,192)
CASH, beginning of year	334,933	814,125
CASH, end of year	$ 436,925	$ 334,933

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(stated in Canadian dollars)

1. PURPOSE OF THE CORPORATION

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 operates 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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2. APPLICATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Corporation has elected to early adopt, as of April 1, 2010, the International Financial Reporting Standards (IFRS) issued but not yet effective at March 31, 2012 as follows;

Standard	Effective Date
IFRS 1 First Time Adoption of IFRS (amended)	July 1, 2013
IFRS 10 Consolidated financial statements	January 1, 2013
IFRS 11 Joint arrangements	January 1, 2013
IFRS 12 Disclosure of interests in other entities	January 1, 2013
IFRS 13 Fair value measurement	January 1, 2013
IAS 19 Employee benefits (amended)	January 1, 2013
IAS 27 Separate financial statements (amended)	January 1, 2013
IAS 28 Investments in associates and joint ventures (amended)	January 1, 2013

The Corporation has not applied the following IFRS that has been issued but is not yet effective:

Standard	Effective Date
IFRS 9 Financial instruments	January 1, 2015

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The Corporation anticipates that IFRS 9 will be adopted in the Corporation's consolidated financial statements for the annual period beginning April 1, 2014. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. ACCOUNTING POLICIES

Basis of Preparation:

The consolidated financial statements represent the first annual financial statements of the Corporation and its subsidiaries prepared in accordance with International Financial Reporting Standards. 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. The accounting policies are summarized below.

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. and North Portage Theatre Corporation, all of which are controlled by the Corporation.

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3. ACCOUNTING POLICIES, continued

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.

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 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.

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.

Event, Sponsorship, Government Grants and Recoveries:

Event, 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.

cont'd . . .

3. ACCOUNTING POLICIES, continued

Land Rents

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

Deferred Charges

Deferred charges consist of mortgage financing fees and prepaid building rent. The amounts are being amortized as follows:

Mortgage financing fees	- 25 years
Prepaid building rent	- 10 years

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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3. 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, plant 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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3. 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.

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.

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.

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3. ACCOUNTING POLICIES, continued

Short Term Investments:

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.

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, investment, trade and other receivables, trade and other payables: The fair value of cash, investment, 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.

Capital Disclosures:

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

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.

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3. ACCOUNTING POLICIES, continued

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

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.

4. 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, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 436,925	$ -	$ -	$ 436,925
Restricted cash	$ 47,654	$ -	$ -	$ 47,654
Short term investments	$12,536,193	$ -	$ -	$12,536,193
Accounts receivable	$ -	$ -	$1,220,453	$ 1,220,453

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, 2012 is $1,261,713 (2011 - $854,100).

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.

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4. FINANCIAL INSTRUMENTS, continued

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.

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.

5. 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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6. TRADE AND OTHER RECEIVABLES

	March 31, 2012	March 31, 2011	April 1, 2010
Trade receivables	$ 571,701	$ 537,074	$ 215,908
Allowance for doubtful debts	76,065	45,636	41,079
Net trade receivables	$ 495,636	$ 491,438	$ 174,829
Government remittances	31,177	-	-
Other receivables	693,640	362,662	415,355
	$ 1,220,453	$ 854,100	$ 590,184

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.

	March 31, 2012	March 31, 2011
Aging of receivables that are past due but not impaired:		
31-60 days	$ 285,443	$ 50,932
61-90 days	21,319	242,461
91+ days	226,104	128,821
Total	$ 532,866	$ 422,214
Changes in the allowance for doubtful debts:		
Balance at beginning of the year	$ 45,636	$ 40,415
Impairment losses recognized on receivables	41,865	16,195
Amounts written off during the year as uncollectible	(1,436)	(10,000)
Amounts recovered during the year	(10,000)	(974)
Impairment losses reversed	-	-
Balance at end of the year	$ 76,065	$ 45,636

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.

7. 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.

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

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7. INVESTMENT HELD FOR SALE, continued

Subsequent to the year end, 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.

8. LOANS RECEIVABLE

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

During the previous year, it was determined by management that this loan may not be collectible and as a result, the balance of the loan was written off.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Property under Construction	Plant and Equipment	Equipment under Finance Lease	Total
Cost					
Balance April 1, 2010	$9,058,281	$ (45,406)	$22,970,180	$ 2,428,676	$34,411,731
Additions	-	170,575	746,225	-	916,800
Disposals	-	-	(12,346)	(283,275)	(295,621)
Balance March 31, 2011	$9,058,281	$ 125,169	$23,704,059	$ 2,145,401	$35,032,910
Additions	-	-	335,594	-	335,594
Disposals	-	-	(280,610)	-	(280,610)
Transfer to plant and equipment	-	(34,205)	-	-	(34,205)
Balance March 31, 2012	$9,058,281	$ 90,964	$23,759,043	$ 2,145,401	$35,053,689
Accumulated Amortization					
Balance April 1, 2010	$ -	$ -	$16,448,297	$ 882,551	$17,330,848
Elimination on disposal of assets	-	-	(12,346)	(143,510)	(155,856)
Amortization expense	-	-	789,012	244,740	1,033,752
Balance March 31, 2011	$ -	$ -	$17,224,963	$ 983,781	$18,208,744
Elimination on disposal of assets	-	-	(280,610)	-	(280,610)
Amortization expense	-	-	814,583	213,682	1,028,265
Balance March 31, 2012	$ -	$ -	$17,758,936	$1,197,463	$18,956,399
Carrying amounts	$9,058,281	$ 90,964	$ 6,000,107	$ 947,938	$16,097,290

cont'd . . .

10. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	Land	Buildings	Property under Construction	Infrastructure Enhancements	Total
Cost					
Balance April 1, 2010	$29,124,578	$14,753,617	$ 4,075,813	$54,987,472	$102,941,480
Additions	-	63,129	574,164	35,040	672,333
Disposals	-	-	-	(12,309)	(12,309)
Funding credit	-	-	-	(82,500)	(82,500)
Balance March 31, 2011	$29,124,578	$14,816,746	$ 4,649,977	$54,927,703	$103,519,004
Additions	-	221,037	289,543	168,506	679,086
Disposals	-	-	-	(1,293)	(1,293)
Balance March 31, 2012	$29,124,578	$15,037,783	$ 4,939,520	$55,094,916	$104,196,797
Accumulated Amortization					
Balance April 1, 2010	$ 531,494	$ 4,889,817	$ -	$37,091,432	$42,512,743
Elimination on disposal of assets				(12,309)	(12,309)
Funding credit				(82,500)	(82,500)
Amortization expense	-	409,061	-	942,242	1,351,303
Balance March 31, 2011	$ 531,494	$ 5,298,878	$ -	$37,938,865	$43,769,237
Elimination on disposal of assets				(1,293)	(1,293)
Amortization expense	-	414,142	-	941,217	1,355,359
Balance March 31, 2012	$ 531,494	$ 5,713,020	$ -	$38,878,789	$45,123,303
Carrying amounts	$28,593,084	$ 9,324,763	$ 4,939,520	$16,216,127	$59,073,494

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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 542,721	$ 340,071	$ 387,327
Accruals	1,272,425	984,517	2,070,315
Government remittances	-	68,217	7,984
	$1,815,146	$1,392,805	$2,465,626

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

	March 31, 2012	March 31, 2011	April 1, 2010
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.	$12,075,349	$12,379,802	$12,667,588
Less: current portion	(322,086)	(304,453)	(287,786)
	$11,753,263	$12,075,349	$12,379,802

Principal repayment terms are approximately:

2013	$322,086
2014	$340,739
2015	$360,474
2016	$381,352

13. OBLIGATIONS UNDER FINANCE LEASE

Leasing Arrangements:

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2011 – 7.5 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:

	Minimum Lease Payments	
	2012	2011
Not later than one year	$ 191,651	$ 191,651
Later than one year and not later than five years	258,499	450,150
Less: future finance charges	(38,119)	(74,807)
Present value of minimum lease payments	$ 412,031	$ 566,994
Included in the consolidated financial statements as:		
- current portion	$ 170,008	$ 159,959
- long term portion	242,023	407,035
	$ 412,031	$ 566,994

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14. GOVERNMENT CONTRIBUTIONS

	March 31, 2012	March 31, 2011	April 1, 2010
Amounts included in deferred contributions	$ 16,660,953	$ 17,861,765	$ 19,062,577
Amounts recognized in income in prior years	66,311,941	64,443,508	64,443,508
Annual amortization of deferred contributions	1,200,812	1,200,812	-
Amounts recognized in income in the current year	150,000	-	-
Donated land	8,000,000	8,000,000	8,000,000
Contributed surplus	39,310,266	39,310,266	39,310,266
	$131,633,972	$130,816,351	$130,816,351

North Portage Theatre Corporation 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 $88,364 (2011 - $88,364) resulting in a remaining balance of $1,711,636 (2011 - $1,711,636; 2010 - $1,711,636). At March 31, 2012 no demand had been made by Manitoba Development Corporation for the repayment of the loan.

15. SHARE CAPITAL

Authorized:
Unlimited common shares

	March 31, 2012	March 31, 2011	April 1, 2011
Issued and fully paid:			
3 common shares	$ 3	$ 3	$ 3

The share capital has no par value.

16. DONATED LAND

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

Government of Canada	City of 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 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.

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17. FINANCE COSTS

Continuing Operations:	March 31, 2012	March 31, 2011
Interest on mortgage payable	$ 689,824	$ 706,141
Interest on obligations under finance leases	28,377	38,835
Total interest expense	$ 718,201	$ 744,976

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

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.

Payments Recognized:	March 31, 2012	March 31, 2011
Minimum lease payments	$ 167,567	$ 168,196
Sub-lease payments received	$ 275,297	$ 273,206

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.

19. COMMITMENTS

The corporation has an obligation to operate the Imax Theatre at Portage Place for a 75 year period, ending in 2061. 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.

Compensation of Key Management Personnel:

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

	March 31, 2012	March 31, 2011
Wages and other short-term benefits	$ 742,493	$ 729,659

Government Related Entity:

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

21. RECONCILIATION OF PRIOR PERIODS' CONSOLIDATED FINANCIAL STATEMENTS

Transition to IFRS:

The Corporation's financial statements for the year ending March 31, 2012 are the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were prepared as described in Notes 2 and 3. The Corporation's March 31, 2011 annual consolidated financial statements were the last financial statements presented using Canadian GAAP.

IFRS's have been adopted retrospectively effective April 1, 2010 and the comparative information presented herein has been restated.

The following table represents the reconciliation of assets, liability and equity from Canadian GAAP to IFRS as at April 1, 2010:

	Previous GAAP	Effect of Transition	IFRS
Property, plant and equipment	$21,829,074	$(4,748,191)	$17,080,883
Investment in properties and infrastructure enhancements	$55,680,546	$ 4,748,191	$60,428,737
Net equity	$57,924,924	$ -	$57,924,924

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22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of the Corporation and authorized for issue on June 21, 2012.