

BRITISH COLUMBIA BUILDINGS CORPORATION

MANAGEMENT'S REPORT

The financial statements of British Columbia Buildings Corporation have been prepared by management in accordance with generally accepted accounting principles which are considered appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits and within the framework of the accounting policies summarized in the notes to financial statements. The external auditors appointed by the Lieutenant-Governor-in-Council have examined the financial statements which have been approved by the Board on recommendation of the audit committee. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Audit Committee, comprised of non-management members of the Board of Directors, meets periodically with internal auditors, the external auditors, and management, to ensure that each group is discharging its obligations.

Management depends upon a system of internal accounting controls that provides reasonable assurance, on a cost effective basis, that the financial information is reliable and accurate. This system is maintained through the performance of a comprehensive internal audit program.



Dennis Truss
President and
Chief Executive Officer



Lak Parmar
Vice-President, Finance and
Chief Financial Officer

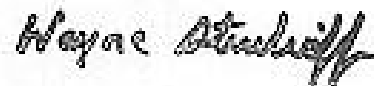
Report of the Auditor General of British Columbia

*To the Lieutenant-Governor-in-Council,
Province of British Columbia;*

I have audited the balance sheet of the *British Columbia Buildings Corporation* as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Buildings Corporation* as at March 31, 2000 and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles.



*Victoria, British Columbia
May 12, 2000*

Wayne Strelloff, CA
Auditor General

BRITISH COLUMBIA BUILDINGS CORPORATION

BALANCE SHEET

\$ thousands

	March 31	
	2000	1999
ASSETS		
Real estate investments		
Income-producing properties (note 4)	820,962	849,420
Income-producing properties under construction (note 5)	42,475	20,403
Land held for sale or development (note 6)	<u>25,208</u>	<u>24,221</u>
	888,645	894,044
Corporate properties and equipment (note 7)	10,367	9,907
Unamortized debt discount and issue expenses	9,082	9,679
Other assets (note 8)	<u>60,590</u>	<u>182,084</u>
	<u>968,684</u>	<u>1,095,714</u>
LIABILITIES		
Long-term debt (note 9)	543,301	617,267
Short-term debt (note 10)	75,404	109,866
Other liabilities (note 11)	78,720	71,317
EQUITY		
Contributed surplus, contributions by the Province of British Columbia	52,832	52,832
Retained earnings	<u>218,427</u>	<u>244,432</u>
	<u>968,684</u>	<u>1,095,714</u>
Commitments (note 12)		

On Behalf of the Board:


Stephanie Green, Director


Doug Allen, Chair

BRITISH COLUMBIA BUILDINGS CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS

\$ thousands

	Year Ended March 31	
	2000	1999
REVENUES	-	-
Rentals	399,342	398,995
Other income	48,313	37,270
Gains on sale of properties	<u>15,883</u>	<u>9,963</u>
	<u>463,538</u>	<u>446,228</u>
EXPENSES		
Lease costs	130,084	132,085
Operations and maintenance	97,162	95,222
Amortization	39,841	40,627
Client requested projects	38,880	33,316
Property taxes and grants	17,729	17,161
Energy	20,053	17,390
General and administrative	9,772	9,533
Environment (note 2h)	<u>4,957</u>	<u>-</u>
	<u>358,478</u>	<u>345,334</u>
INCOME BEFORE INTEREST	105,060	100,894
Interest (note 13)	<u>(60,065)</u>	<u>(51,474)</u>
NET INCOME	44,995	49,420
	-	-
Retained earnings, beginning of year as restated (Note 3)	244,432	197,012
Dividend	<u>(71,000)</u>	<u>(2,000)</u>
RETAINED EARNINGS, END OF YEAR	<u>218,427</u>	<u>244,432</u>

BRITISH COLUMBIA BUILDINGS CORPORATION

STATEMENT OF CASH FLOWS

\$ thousands

	Year Ended March 31	
	2000	1999
OPERATING ACTIVITIES		
Net income	44,995	49,420
Non-cash items		
Amortization of capital assets and other amounts	40,140	40,927
Gains on sale of properties	(15,883)	(9,963)
Other assets and liabilities, net change	49,699	10,864
Proceeds from sale of properties	<u>19,497</u>	<u>11,207</u>
	<u>138,448</u>	<u>102,455</u>
INVESTING ACTIVITIES		
Real estate investments	(34,934)	(16,275)
Corporate properties and equipment	<u>(3,713)</u>	<u>(1,771)</u>
	<u>(38,647)</u>	<u>(18,046)</u>
FINANCING ACTIVITIES		
Long-term debt issued	-	50,012
Long-term debt repayments	(136,655)	(55,122)
Decrease (Increase) in sinking funds	62,817	(19,618)
(Decrease) Increase in short-term debt	<u>(34,462)</u>	<u>5,572</u>
	<u>(108,300)</u>	<u>(19,156)</u>
DIVIDENDS PAID		
Declared in current year	<u>(71,000)</u>	<u>(2,000)</u>
	<u>(71,000)</u>	<u>(2,000)</u>
CASH POSITION		
Net (Decrease) Increase in cash during the year	(79,499)	63,253
Cash position, beginning of year	<u>94,551</u>	<u>31,298</u>
CASH POSITION, END OF YEAR	<u>15,052</u>	<u>94,551</u>
Cash position consists of cash and temporary investments less bank indebtedness		

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

1. Statement of Purpose

British Columbia Buildings Corporation, established in 1977 as a Crown Corporation of the Province of British Columbia through the enactment of the British Columbia Buildings Corporation Act, has a mandate to serve as an agency of the Crown in providing accommodation and real estate services to the Provincial Government. Corporate and client accountability is achieved by establishing market based rents, payable by the client to the Corporation. During the year the Corporation received 73% (1999 - 78%) of its revenues from Provincial Government Ministries, with the balance from other sources.

2. Accounting Policies

(a) Real Estate Investments and Corporate Properties and Equipment

Real estate investments and corporate properties and equipment are recorded at cost less accumulated amortization. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses. Capitalized costs do not exceed estimated future recoveries for income producing properties and estimated realizable value for land held for development.

(b) Temporary Investments

Temporary investments represent short-term funds administered by the Province of British Columbia. These investments are recorded at cost which approximates market.

(c) Amortization

Real estate investments and corporate properties and equipment are amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. Amortization is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are from five to forty years. The estimated useful lives of all other assets are from three to ten years.

(d) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

(f) **Rentals Received in Advance**

Rentals received in advance are amortized using the effective rate of interest method over the period to which they relate.

(g) **Related Party Transactions**

The Corporation is related through common ownership to all Province of British Columbia departments, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which Provincial Government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount. Unless disclosed separately in these financial statements, this exchange amount approximates market.

(h) **Environmental Expenditures and Liabilities**

Under the current environmental legislation and the Corporation's standard accommodation agreement with clients, responsibility for site cleanup rests with the polluter.

Environmental expenditures incurred as a result of the ongoing business activities of the Corporation are expensed or capitalized as appropriate. Environmental cleanup costs are recoverable from clients. These recoveries are included in other income.

3. **Change in Accounting for Tenant Improvements**

The accounting for capital tenant improvements has been changed. Items previously classified as income producing properties are now classified as long-term accounts receivable. This change in accounting treatment has been applied retroactively. The opening balance of retained earnings at April 1, 1998 has been increased by \$10,173,000 and income for the year ended March 31, 1999 has been increased by \$1,325,000 representing the difference between the net book values of the items previously recorded as assets and the outstanding unamortized balance of the related accounts receivable.

The effect on the opening balance sheet of March 31, 1999 is a reduction in income-producing properties of \$52,200,000 and an increase in other assets of \$63,698,000. For the year ended March 31, 2000, the Province paid out its share of the receivables for \$60,212,000. These projects are now treated as client request expense/revenue (other income) when incurred. The income statement effect in the current fiscal year was to reduce revenue by \$4,778,000, amortization by \$9,326,000, interest by \$6,090,000 and increase client request expense by \$10,274,000.

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS
March 31, 2000 (Tabular amounts in \$ 000's)

4. <u>Income-Producing Properties</u>	<u>2000</u>	<u>1999</u>
Net book value:		
Cost	1,313,944	1,310,411
Accumulated amortization	<u>(492,982)</u>	<u>(460,991)</u>
	<u>820,962</u>	<u>849,420</u>
Activity:		
Net book value, beginning of year	849,420	877,406
Properties transferred from income-producing properties under construction	11,682	10,623
Acquisitions (disposals), net	(3,469)	(1,241)
Amortization expense	<u>(36,671)</u>	<u>(37,368)</u>
Net book value, end of year	<u>820,962</u>	<u>849,420</u>
5. <u>Income-Producing Properties Under Construction</u>	<u>2000</u>	<u>1999</u>
Balance, beginning of year	20,403	15,398
Direct development and construction costs	27,731	12,293
Capitalization of:		
Interest	1,868	1,237
General and administrative expenses	4,155	2,098
Cost of properties completed and transferred to income-producing properties	<u>(11,682)</u>	<u>(10,623)</u>
Balance, end of year	<u>42,475</u>	<u>20,403</u>
6. <u>Land Held For Sale or Development</u>	<u>2000</u>	<u>1999</u>
Balance, beginning of year	24,221	23,574
Capitalization of interest and property tax	681	647
Acquisitions	<u>306</u>	<u>-</u>
Balance, end of year	<u>25,208</u>	<u>24,221</u>

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS
 March 31, 2000 (Tabular amounts in \$ 000's)

7. <u>Corporate Properties and Equipment</u>	<u>2000</u>	<u>1999</u>
Cost:		
Office and data processing equipment	22,514	19,520
Corporate properties and leasehold improvements	8,296	8,043
Maintenance equipment	3,271	3,263
Vehicles	<u>5,231</u>	<u>4,986</u>
	39,312	35,812
Accumulated amortization	<u>(28,945)</u>	<u>(25,905)</u>
	<u>10,367</u>	<u>9,907</u>
8. <u>Other Assets</u>	<u>2000</u>	<u>1999</u>
Cash	-	2,051
Temporary investments	18,000	92,500
Accounts receivable:		
Province of British Columbia	20,526	65,797
Other	21,926	21,510
Prepaid expenses	<u>138</u>	<u>226</u>
	<u>60,590</u>	<u>182,084</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

9. <u>Long-Term Debt</u>	<u>2000</u>	<u>1999</u>
Debentures payable to the Province of British Columbia		
Various issues at an average effective interest rate of 8.48% (1999 - 8.59%) maturing at various times to 2029 (1999 - 2029)	647,512	687,512
Debentures payable to the Minister of Finance for Canada to the credit of the Canada Pension Plan Investment Fund		
One issue maturing May 9, 2000 at an effective interest rate of 13.46%. In the prior year various issues maturing 1999-2003 at an average effective interest rate of 14.26%	10,000	106,655
Mortgage payable to the Bank of Montreal	<u>1,340</u>	<u>1,468</u>
	658,852	795,635
Sinking funds on deposit with the Province of British Columbia	<u>(115,551)</u>	<u>(178,368)</u>
	<u>543,301</u>	<u>617,267</u>

At March 31, 2000, the coupon rates on the long-term debt ranged from 5.40% to 13.46% (1999 - 5.40% to 15.69%).

The Province of British Columbia has unconditionally guaranteed the principal and interest of all debt payable to third parties.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

2000/01	32,543	-
2001/02	12,035	
2002/03	12,035	
2003/04	53,253	
2004/05	9,973	

On March 31, 2000, \$136,655,000 of outstanding long-term debt, together with related sinking fund investments, was removed from the Corporation's balance sheet under a defeasance agreement with the Province of British Columbia. The Province has unconditionally relieved the Corporation of any further obligations regarding these securities. Interest costs of \$16,969,000 associated with the debt defeased (average effective interest rate of 13.23%) are included in other interest expense (see note 13).

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

10. Short-Term Debt

The interest rates on short-term debt range from 5.05% to 5.22% (1999 - 4.23% to 5.63%), and result in an average effective interest rate of 4.76% (1999 - 4.89%) for the notes outstanding. These notes mature at varying dates to May 15, 2000 and are payable to the Province of British Columbia.

11. Other Liabilities

	<u>2000</u>	<u>1999</u>
Bank indebtedness, unsecured	2,948	-
Accounts payable and accrued liabilities	28,316	27,424
Holdbacks	15,603	3,488
Accrued interest payable:		
Province of British Columbia	12,034 ✓	12,345
Other	678	4,929
Deferred revenue	<u>19,141</u>	<u>23,131</u>
	<u><u>78,720</u></u>	<u><u>71,317</u></u>

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

12. Commitments

The Corporation estimates that the cost to complete projects under construction at March 31, 2000 will be \$29,131,000 of which \$17,928,000 has been committed.

The Corporation has entered into leases with third parties to provide space for clients and corporate operations for varying periods up to the year 2032, at a total aggregate net rental of approximately \$446,483,000. Most leases are from five to ten years and include renewal options.

Minimum lease payments which will be charged to operations in subsequent years for leases committed at March 31, 2000:

2000/01	101,396
2001/02	86,697
2002/03	74,068
2003/04	58,118
2004/05	35,242
Thereafter	90,962

The Corporation had outstanding letters of credit totalling \$596,000 at March 31, 2000 to guarantee performance on various projects.

13. Interest

	2000	1999
Interest on long-term debt	70,725	70,243
Other interest (see note 9)	19,846	2,279
Amortization of debt discount and issue expenses	298	300
	<u>90,869</u>	<u>72,822</u>
Deduct:		
Sinking fund earnings	28,377	19,553
Interest capitalized	2,427	1,795
	<u>30,804</u>	<u>21,348</u>
	<u>60,065</u>	<u>51,474</u>

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2000 (Tabular amounts in \$ 000's)

14. Accounting Estimates

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are evaluated as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for amortization of capital assets and deferred charges are based on estimates of the useful life benefit of these assets. The effect on the financial statements of changes in such estimates in future periods is not anticipated to be significant.

15. Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Pension (Public Service) Act*. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province of British Columbia has statutory responsibility for any unfunded liability.

The most recent actuarial evaluation has determined the Plan is in a surplus position. During the year contributions of \$1,908,000 were refunded to the corporation (1999 refund \$400,000).