

BCIF Management Ltd.
Consolidated Financial Statements
For the year ended March 31, 2002

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For the year ended March 31, 2002**

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Auditors' Report

**To the Shareholders of
BCIF Management Ltd.**

We have audited the Consolidated Balance Sheet of BCIF Management Ltd. as at March 31, 2002 and the Consolidated Statements of Operations and Deficit and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles disclosed in the Summary of Significant Accounting Policies. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

BDO Dunwoody LLP


Chartered Accountants

Vancouver, British Columbia
April 22, 2002


BCIF Management Ltd.
Consolidated Balance Sheet

| March 31 | 2002 | 2001 |
|--|---------------|---------------|
| Assets | | |
| Current | | |
| Cash (Note 2) | \$ 10,707,910 | \$ 8,252,446 |
| Accrued interest receivable | 71,926 | 116,690 |
| | 14,931,675 | 12,461,402 |
| Loans receivable (Note 3) | 10,950,004 | 12,141,121 |
| Bond issue costs (Note 4) | 802,581 | 1,101,214 |
| | \$ 26,684,260 | \$ 25,703,737 |
| Liabilities and Shareholder's Deficiency | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 89,515 | \$ 74,040 |
| Bonds payable (Note 5) | 27,650,000 | 26,250,000 |
| Due to the Ministry of Employment and and Investment (Note 7) | 100 | 100 |
| | 27,739,615 | 26,324,140 |
| Shareholder's deficiency | | |
| Share capital (Note 6) | 100 | 100 |
| Deficit | (1,055,455) | (620,503) |
| | (1,055,355) | (620,403) |
| | \$ 26,684,260 | \$ 25,703,737 |

On behalf of the Board:



Director



Director

BCIF Management Ltd.
Consolidated Statement of Operations and Deficit

| For the year ended March 31 | 2002 | 2001 |
|------------------------------------|-----------------------|---------------------|
| Revenue | | |
| Investment income | \$ 1,200,539 | \$ 1,487,622 |
| Expenses | | |
| Amortization of bond issue costs | 418,042 | 395,946 |
| Annual fees | 15,600 | 14,533 |
| Bank charges and interest | 14 | 131 |
| Bond interest | 546,326 | 510,444 |
| Consulting | 543,203 | 506,969 |
| Professional fees | 11,000 | 11,770 |
| Recoverable expenses | 3,306 | - |
| Sub-agent commission | 98,000 | 98,000 |
| | <u>1,635,491</u> | <u>1,537,793</u> |
| Loss for the year | (434,952) | (50,171) |
| Deficit, beginning of year | (620,503) | (570,332) |
| Deficit, end of year | \$ (1,055,455) | \$ (620,503) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BCIF Management Ltd.
Consolidated Statement of Cash Flows

| For the year ended March 31 | 2002 | 2001 |
|--|----------------------|----------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Loss for the year | \$ (434,952) | \$ (50,171) |
| Item not involving cash | | |
| Amortization of bond issue costs | 418,042 | 395,946 |
| | <u>(16,910)</u> | <u>345,775</u> |
| | | |
| Changes in non-cash working capital balances | | |
| Accounts receivable | - | 28,456 |
| Accrued interest receivable | 44,764 | (6,222) |
| Accounts payable and accrued liabilities | 15,475 | (3,149) |
| | <u>60,239</u> | <u>19,085</u> |
| | <u>43,329</u> | <u>364,860</u> |
| | | |
| Investing activity | | |
| Increase (decrease) in loans receivable | 1,131,544 | 1,073,128 |
| | | |
| Financing activities | | |
| Net proceeds from issuance of bonds (Note 5) | 1,400,000 | 1,400,000 |
| Increase in bond issue costs | (119,409) | (113,846) |
| | <u>1,280,591</u> | <u>1,286,154</u> |
| Increase in cash during the year | 2,455,464 | 2,724,142 |
| Cash, beginning of year | 8,252,446 | 5,528,304 |
| Cash, end of year | \$ 10,707,910 | \$ 8,252,446 |
| | | |
| Supplemental information | | |
| Interest paid | \$ 546,326 | \$ 480,257 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BCIF Management Ltd.
Summary of Significant Accounting Policies

March 31, 2002

Basis of Consolidation

These financial statements have been prepared using the purchase method of consolidation in accordance with Canadian general accounting principals. The assets and liabilities of the acquired companies are initially recorded at their cost. The results of operations of the acquired companies are included from the dates of acquisition. All significant intercompany transactions and balances have been eliminated on consolidation.

The assets, liabilities and operations of the British Columbia Investment Fund Ltd., a subsidiary that is wholly owned by the Company, are included in these financial statements.

Bond Issue Costs

Bond issue costs consist of direct costs incurred in issuing the bonds, including sales commissions, escrow agent fees, management fees, legal and other professional fees. They also include start-up costs and costs of preparing the Memorandum (Note 1).

The bond issue costs are amortized on a straight-line basis over the period from the date the bonds are issued to their maturity date. The bonds are for a term of five years commencing from the date on which at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses as defined in the Memorandum. For bond issue costs associated with funds not yet invested in the active operations of Eligible Businesses, the costs are amortized over six years being the projected life of the bonds.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued interest receivable, loans receivable, accounts payable, accrued liabilities, and bonds payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

The preparation of these consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BCIF Management Ltd.
Notes to Consolidated Financial Statements

March 31, 2002

1. Nature of Operations

BCIF Management Ltd. (the "Company") was incorporated under the British Columbia Company Act on December 23, 1994. The Company's name was changed from BCGF Management Ltd. to the present name on October 25, 1995. The Company was incorporated to provide fund management services to the Company's wholly-owned subsidiary, the British Columbia Investment Fund Ltd. (the "Fund"), and to facilitate the approval of the Fund as an Approved Fund under the Immigration Act and Regulations as prescribed in the Management Agreement attached to the Offering Memorandum of its subsidiary dated October 28, 1995 (the "Memorandum"). The Company is wholly-owned by the Province of British Columbia and is not subject to income taxes.

Pursuant to the Memorandum, the Company receives a commission equal to seven percent of the gross proceeds of the subscription amount received from the sale of each and every unit of the bond and may distribute all or part of the sales commission to any sub-agents. The Company also receives a management fee up to a maximum of three percent of the net book value of the Fund as at the end of the immediately preceding fiscal year.

2. Cash

The Company's bank accounts are held at one chartered bank. The bank accounts earn interest at prime less 1.75%. During the year the account earned interest from 0.33% to 4.04%.

3. Loans Receivable

| | <u>2002</u> | <u>2001</u> |
|--|-------------|--------------|
| The Company's loans receivable are comprised as follows: | | |
| Loan receivable from No. 209 Cathedral Ventures Ltd. ("Cathedral 209"), receivable at \$32,549 per month including interest at 5.25% per annum calculated semi-annually in arrears, collateralized by a general security agreement and an assignment of Cathedral 209's interest in an assignment of rents, due September 1, 2003. | \$ 856,581 | \$ 1,193,141 |
| Loan receivable from CWC Lease Company Ltd. ("CWC"), receivable at \$32,516 per month including interest at 5.25% per annum calculated semi-annually in arrears, collateralized by a general security agreement and an assignment of CWC's interest in an assignment of rents, due September 1, 2003. | 855,683 | 1,191,902 |

BCIF Management Ltd.
Notes to Consolidated Financial Statements

March 31, 2002

3. Loans Receivable - Continued

| | 2002 | 2001 |
|---|----------------------|----------------------|
| Loan receivable from NJC Lease Company Ltd. ("NJC"), receivable at \$33,480 per month including interest at 4.48% per annum calculated semi-annually in arrears, collateralized by a general security agreement over NJC's assets, due December 31, 2003. | 4,771,486 | 4,957,560 |
| Loan receivable from 592360 B.C. Ltd. ("592360"), receivable at \$22,962 per month including interest at 5.40% per annum calculated semi-annually in arrears, collateralized by a general security agreement over 592360's assets, due November 1, 2004. | 2,642,852 | 2,773,454 |
| Loan receivable from No. 219 Cathedral Ventures Ltd. ("Cathedral 219"). Payments made under the Interim Credit Facility comprise interest-only at an annual rate of 8.75% per Article 2.4 of the Agreement, collateralized by a general security agreement over Cathedral 219's present and future properties, due on demand. | 2,960,724 | 2,960,724 |
| Loan receivable from No. 229 Cathedral Ventures Ltd. ("Cathedral 229"), receivable at \$26,357 per month including interest at 5.70% per annum calculated semi-annually in arrears, collateralized by a general security agreement over Cathedral 229's assets, due January 1, 2005. | 3,014,517 | 3,156,606 |
| | 15,101,843 | 16,233,387 |
| Less: current portion | (4,151,839) | (4,092,266) |
| | \$ 10,950,004 | \$ 12,141,121 |

4. Bond Issue Costs

| | 2002 | 2001 |
|--------------------------------|-------------------|---------------------|
| Bond issue costs | \$ 2,382,642 | \$ 2,263,233 |
| Less: accumulated amortization | (1,580,061) | (1,162,019) |
| | \$ 802,581 | \$ 1,101,214 |

BCIF Management Ltd.
Notes to Consolidated Financial Statements

March 31, 2002

5. Bonds Payable

During the year, the Fund issued 4 (2001 - 5) bond units for gross proceeds of \$1,400,000 (2001 - \$1,750,000) and cancelled NIL (2001 - 1) bond units for gross disbursements of \$NIL (2001 - \$350,000) thus resulting in net proceeds of \$1,400,000 (2001 - \$1,400,000). As at March 31, 2002 a total of 79 (2001 - 75) bond units were outstanding for a total bond payable of \$27,650,000 (2001 - \$26,250,000).

The Class "A" bonds mature five years from the date when at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses, as defined in the Memorandum (the "Hold Period"). The Class "B" bonds mature five years from the date of the last investor's Hold Period and may be entitled to a bonus payment based on the Fund's net asset value as defined in the Memorandum. Both bonds bear simple interest at an annual rate of 2%, payable annually on March 31 and are non-transferable with the exception of the right to sell back the bonds to the Fund in the event the investor is refused a Canadian immigrant visa. The bonds are unsecured and are not guaranteed. In addition, neither the Government of Canada nor the Province of British Columbia offer any guarantees or assurances of any investment return or the repayment of the principal amount of the bonds.

Fair value information on bonds payable has been omitted because it is not practicable to determine the fair value of this financial instrument due to its unique characteristics and the lack of an organized market where this financial instrument can be traded.

6. Share Capital

| | <u>2002</u> | <u>2001</u> |
|-------------------------------------|---------------|---------------|
| Authorized: | | |
| 100,000 Common shares, no par value | | |
| Issued: | | |
| 100 Common shares | <u>\$ 100</u> | <u>\$ 100</u> |

7. Due to the Ministry of Employment and Investment

The amount due to the Ministry of Employment and Investment is unsecured, non-interest bearing and has no specific terms of repayment.