

**Provincial Rental Housing
Corporation
Financial Statements
March 31, 2002 and 2001**

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Auditors' Report

To the Shareholder of the
Provincial Rental Housing Corporation

We have audited the balance sheet of Provincial Rental Housing Corporation (the "Corporation") as at March 31, 2002 and the statements of revenue and expenditures and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements present fairly, in all material respects, the financial position of the Corporation 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. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada
May 3, 2002

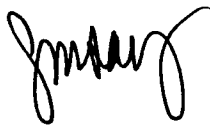
Grant Thornton LLP

Chartered Accountants

Statement of Management Responsibility

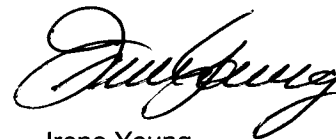
The financial statements of the Provincial Rental Housing Corporation (the "Corporation") have been prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements.

Management depends upon a system of internal controls that provide reasonable assurance, on a cost-effective basis, that the financial information is reliable and accurate.



Shayne Ramsay
Secretary

May 3, 2002



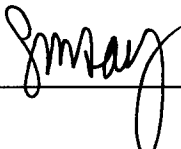
Irene Young
Director

Provincial Rental Housing Corporation

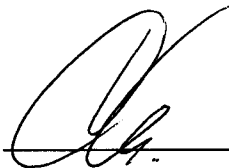
Balance Sheets

| March 31 | 2002 | 2001 |
|---|-------------------|-------------------|
| | (\$000's) | (\$000's) |
| Assets | | |
| Investment in properties (Note 3) | \$ 376,304 | \$ 370,712 |
| Debenture subsidy receivable | 1,843 | 1,843 |
| Cash | 1 | 1 |
| | <u>\$ 378,148</u> | <u>\$ 372,556</u> |
| Liabilities | | |
| Long-term debt (Note 5) | \$ 141,159 | \$ 142,353 |
| Interest payable | 744 | 755 |
| Unearned lease revenue | 103,033 | 94,941 |
| Funding in advance of construction (Note 6) | 2,504 | 2,054 |
| Due to British Columbia Housing Management Commission (Note 4) | 23,475 | 31,225 |
| | <u>270,915</u> | <u>271,328</u> |
| Shareholder's equity | | |
| Share capital | | |
| Authorized | | |
| 10,000 common shares no par value | | |
| Issued | | |
| 3 common shares at \$1 each | - | - |
| Contributed surplus | 82,441 | 82,441 |
| Property acquisition contribution (Note 7) | 17,660 | 16,469 |
| Accumulated excess of revenue over expenditures | 7,132 | 2,318 |
| | <u>107,233</u> | <u>101,228</u> |
| | <u>\$ 378,148</u> | <u>\$ 372,556</u> |

On behalf of the Board



Director



Director

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statements of Revenue and Expenditures and Surplus

| Years Ended March 31 | 2002 | 2001 |
|--|-----------------|-----------------|
| | (\$000's) | (\$000's) |
| Revenue | | |
| Directly managed debenture subsidy | \$ 7,372 | \$ 7,372 |
| Group home mortgage subsidy | 8,222 | 9,571 |
| Lease revenue | 2,219 | 1,968 |
| | <u>17,813</u> | <u>18,911</u> |
| Expenditures | | |
| Depreciation | 3,891 | 4,441 |
| Interest on long-term debt | 9,108 | 9,531 |
| | <u>12,999</u> | <u>13,972</u> |
| Excess of revenue over expenditures | 4,814 | 4,939 |
| Accumulated excess (deficiency) of revenue over expenditures, beginning of year | <u>2,318</u> | <u>(2,621)</u> |
| Accumulated excess of revenue over expenditures, end of year | \$ <u>7,132</u> | \$ <u>2,318</u> |

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statements of Cash Flows

| Years Ended March 31 | 2002 | 2001 |
|--|----------------|-----------------|
| | (\$000's) | (\$000's) |
| Cash flows provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenditures | \$ 4,814 | \$ 4,939 |
| Adjustments to determine cash flows: | | |
| Depreciation | 3,891 | 4,441 |
| Change in non-cash working capital | 8,081 | 3,543 |
| | <u>16,786</u> | <u>12,923</u> |
| Investing activities | | |
| Property acquisition | <u>(9,483)</u> | <u>(38,508)</u> |
| Financing activities | | |
| Funding in advance of construction | 450 | (2,523) |
| New financing | 1,581 | 6,123 |
| Long-term debt repayment | (2,775) | (6,890) |
| Property acquisition contribution | 1,191 | (2,554) |
| Due to/from British Columbia Housing Management Commission | (7,750) | 31,429 |
| | <u>(7,303)</u> | <u>25,585</u> |
| Increase in cash | - | - |
| Cash, beginning of year | <u>1</u> | <u>1</u> |
| Cash, end of year | <u>\$ 1</u> | <u>\$ 1</u> |

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2002 and 2001

1. General

The Provincial Rental Housing Corporation (the "Corporation") was incorporated under the Company Act of the Province of British Columbia in 1961. The Corporation is wholly owned by the Province, and is an agent of the Crown.

The Corporation holds property for social and other low cost housing for the Province. It also holds land under long-term leases to non-profit societies. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the "Commission"), which records the related rental revenue and is responsible for all of the operating and administrative activities and related costs.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment in properties

The Corporation capitalizes its investment in properties at cost and depreciates its buildings on the straight-line method over 25 years.

Property leases

The Corporation leases property used for housing projects to non-profit societies. These sixty-year leases are prepaid by the non-profit societies when the housing projects are completed and ready for occupancy. The Corporation amortizes the lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

Property acquisition contribution

For some social housing projects and group homes, the Province provides grants to the Corporation for a portion of the construction costs. The Corporation records the construction grants as property acquisition contribution when the projects are completed.

From time to time, the Corporation disposes of property purchased for social housing projects that cannot proceed due to difficulties with the site. The proceeds from these sales are applied against the cost of purchasing alternate sites. Any surplus or deficiency is credited or charged to property acquisition contribution.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2002 and 2001

2. Significant accounting policies (continued)

Financial instruments

The Corporation's financial instruments consist of cash and equivalents, accounts receivable and payables. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying values.

3. Investment in properties

| | | | 2002 (\$000's) | 2001 (\$000's) |
|-----------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated depreciation | Net book value | Net book value |
| Land | \$ 295,175 | \$ - | \$ 295,175 | \$ 292,368 |
| Buildings | 160,299 | 83,390 | 76,909 | 75,025 |
| Construction in progress | 4,220 | - | 4,220 | 3,319 |
| | <u>\$ 459,694</u> | <u>\$ 83,390</u> | <u>\$ 376,304</u> | <u>\$ 370,712</u> |

4. Due to British Columbia Housing Management Commission

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The amounts are non-interest bearing with no set term of repayment.

5. Long term debt

| | 2002 (\$000's) | 2001 (\$000's) |
|--|-------------------|-------------------|
| Canada Mortgage & Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, over terms of up to 50 years maturing between the years 2004 and 2025, bearing interest at rates from 6.023% to 8.20%, and secured by unregistered first mortgages on properties of the Corporation | \$ 40,451 | \$ 41,066 |
| Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, bearing interest at rates from 3.369% to 8.15%, and secured by registered first mortgages on properties of the Corporation | <u>100,708</u> | <u>101,287</u> |
| | <u>\$ 141,159</u> | <u>\$ 142,353</u> |

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2002 and 2001

5. Long term debt (continued)

The aggregate principal repayments required in each of the next five fiscal years is estimated to be as follows:

| | <u>(\$000)</u> |
|------------|-------------------|
| 2003 | \$ 27,115 |
| 2004 | 23,828 |
| 2005 | 29,527 |
| 2006 | 18,211 |
| 2007 | 13,000 |
| Thereafter | <u>29,478</u> |
| | <u>\$ 141,159</u> |

6. Funding in advance of construction

This balance represents construction funding received from other Provincial ministries in advance of property acquisition and construction of non-profit housing and group homes. Interest does not accrue on funds received.

7. Property acquisition contribution

| | 2002 | 2001 |
|---------------------------------------|------------------|------------------|
| | (\$000's) | (\$000's) |
| Balance, beginning of year | \$ 16,469 | \$ 19,023 |
| Net proceeds on property replacements | 394 | 406 |
| Net receipts | 4,533 | 775 |
| Repayments to the Province | <u>(3,736)</u> | <u>(3,735)</u> |
| | <u>\$ 17,660</u> | <u>\$ 16,469</u> |

8. Related party transactions

a) Insurance

The Corporation does not insure its rental housing properties. Instead property losses are compensated by the Province through the Commission and, for certain properties, by CMHC.

b) Directly managed debenture subsidy

Directly managed debenture subsidy represents funds received from the Commission for the principal and interest costs of the long-term debt related to directly managed properties.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2002 and 2001

8. Related party transactions (continued)

c) Group home mortgage subsidy

Group home mortgage subsidy represents the funds received from the Commission for mortgage payments to chartered banks and CMHC.

d) Administration and financing

The Commission acts as agent in administering and financing the operations and capital projects of the Corporation. No administration costs are charged to the Corporation for such services performed.