

**552513 BRITISH COLUMBIA LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2004**

**552513 BRITISH COLUMBIA LTD.**

**Statement of Management Responsibility**

Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of *552513 British Columbia Ltd.* These statements present fairly the financial position of the Corporation as at March 31, 2004 and results of its operations for the year then ended.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Report of the Auditor General outlines the scope of his audit and his opinion on the financial statements of *552513 British Columbia Ltd.*



Doug Callbeck  
Director



Gary Schick  
Director

Victoria, British Columbia  
May 21, 2004



## Report of the Auditor General of British Columbia

*To the Shareholder of 552513 British Columbia Ltd.:*

I have audited the consolidated balance sheet of *552513 British Columbia Ltd.* as at March 31, 2004 and the consolidated statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian 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 consolidated financial statements present fairly, in all material respects, the financial position of *552513 British Columbia Ltd.* As at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia  
May 21, 2004*

Wayne Strelioff, FCA  
Auditor General

**552513 BRITISH COLUMBIA LTD.**  
**CONSOLIDATED BALANCE SHEET**  
*(in \$000)*

**MARCH 31,** \_\_\_\_\_ **2004** \_\_\_\_\_ **2003**

**ASSETS**

**CURRENT**

Cash	2,819	3,273
Accounts receivable	<u>5</u>	<u>51</u>

**ASSETS FROM CONTINUING OPERATIONS**

2,824                      3,324

**ASSETS FROM DISCONTINUED OPERATIONS**

Current assets	-	54
Non-current assets	<u>-</u>	<u>1,772</u>

-                                      1,826

2,824                                      5,150

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**CURRENT**

Accounts payable and accrued liabilities	<u>50</u>	<u>292</u>
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**LIABILITIES FROM CONTINUING OPERATIONS**

50                                      292

**LIABILITIES FROM DISCONTINUED OPERATIONS**

Current liabilities	-	32
Non-current liabilities	<u>-</u>	<u>6,000</u>

-                                      6,032

**SHARE CAPITAL (Note 4)**

-                                      -

**CONTRIBUTED SURPLUS (Note 5)**

-                                      450

**RETAINED EARNINGS (DEFICIT)**


2,774                                      (1,624)


2,774                                      (1,174)

2,824                                      5,150

**COMMITMENTS (Note 6)**

**APPROVED ON BEHALF OF THE BOARD:**

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

The accompanying notes are an integral part of these consolidated financial statements.

**552513 BRITISH COLUMBIA LTD.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
*(in \$000)*

<b>YEAR ENDED MARCH 31,</b>	<b>2004</b>	<b>2003</b>
<b>INTEREST INCOME</b>	<u>78</u>	<u>106</u>
<b>EXPENSES</b>		
Professional fees	<u>250</u>	<u>542</u>
<b>(LOSS) FROM CONTINUING OPERATIONS</b>	(172)	(436)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b> <i>(Note 2)</i>	<u>4,570</u>	<u>(102)</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	4,398	(538)
<b>DEFICIT, beginning of year</b>	<u>(1,624)</u>	<u>(1,086)</u>
<b>RETAINED EARNINGS (DEFICIT), end of year</b>	<u>2,774</u>	<u>(1,624)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**552513 BRITISH COLUMBIA LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(in \$000)*

<b>YEAR ENDED MARCH 31,</b>	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net income (loss) for the year	3,948	(538)
Adjustments for:		
Gain from discontinued operations	<u>(4,805)</u>	<u>        </u>
	(857)	(538)
 Cash provided by changes in non-cash items, including discontinued operations, net	 <u>403</u>	 <u>(557)</u>
<b>NET DECREASE IN CASH</b>	<b>(454)</b>	<b>(1,095)</b>
<b>CASH, beginning of year</b>	<b><u>3,273</u></b>	<b><u>4,368</u></b>
<b>CASH, end of year</b>	<b><u>2,819</u></b>	<b><u>3,273</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**552513 BRITISH COLUMBIA LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2004**

*(tabular amounts in \$000)*

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**1. ORGANIZATION**

552513 British Columbia Ltd. (the "Company") was incorporated under the *Company Act* (now the *Business Corporations Act*) on October 21, 1997 and is wholly owned by the Province of British Columbia.

The Company is exempt from federal and provincial income taxes.

**2. DISCONTINUED OPERATIONS**

Effective January 14, 2004, the Company sold the shares of its wholly owned subsidiary, Buffalo Head Forest Products Ltd., pursuant to an agreement dated September 6, 2002.

The results from discontinued operations are summarized as follows:

	<u>2004</u>	<u>2003</u>
Interest and other income	1	12
Expenses	<u>90</u>	<u>114</u>
Operating loss	(89)	(102)
Gain on sale	<u>4,659</u>	-
Income (loss) from discontinued operations	<u>4,570</u>	<u>(102)</u>

**3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant inter-company transactions and balances have been eliminated.

**Related Party Transactions**

The Company is related through common ownership to all the Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations, and are recorded at the exchange amounts. Management services are provided to 552513 British Columbia Ltd. by the Province, for which no amount has been recorded.

**Measurement Uncertainty and the Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**552513 BRITISH COLUMBIA LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2004**

*(tabular amounts in \$000)*

**4. SHARE CAPITAL**

The Company has authorized capital of 1,000,000 common shares with no par value. The Minister of Small Business and Economic Development holds the one common share issued as representative of Her Majesty the Queen in right of the Province of British Columbia.

**5. CONTRIBUTED SURPLUS**

	<u>2004</u>	<u>2003</u>
Contributed surplus, beginning of year	450	450
Transfer to gain on sale of Buffalo Head Forest Products Ltd.	<u>(450)</u>	<u>-</u>
Contributed surplus, end of year		<u>(450)</u>

**6. COMMITMENTS**

The Company has entered into an agency agreement whereby the agent (Rescan Environmental Services Ltd.) will monitor, inspect, and audit the remediation work associated with a \$30 million environmental indemnity provided by the Province of British Columbia to Skeena Cellulose Inc. ("SCI") and NWBC Timber & Pulp Ltd. for the SCI pulp mill located in Prince Rupert, British Columbia. The contract runs from October 21, 2002 to March 31, 2008 and provides for a maximum of up to \$876,000 to be paid to the agent regarding associated fees and expenses incurred during this time period.

2005	157
2006	157
2007	157
2008	157