

577315 BRITISH COLUMBIA LTD.

Statement of Management Responsibility

Management, in accordance with generally accepted accounting principles, has prepared the financial statements of *577315 British Columbia Ltd.* These statements present fairly the financial position of the Corporation as at March 31, 2000 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 *577315 British Columbia Ltd.*



Mark Loftthouse
President



Doug Callbeck
Secretary

Victoria, British Columbia
June 2, 2000

Report of the Auditor General of British Columbia

*To the Minister of Employment and Investment
Province of British Columbia:*

I have audited the balance sheet of *577315 British Columbia Ltd.* as at March 31, 2000 and the statement of operations and cash flows for the year then ended March 31, 2000. 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 *577315 British Columbia Ltd.* 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.



Wayne Strelieff, CA
Auditor General

*Victoria, British Columbia
June 2, 2000*

577315 BRITISH COLUMBIA LTD.

Balance Sheet

(in thousands)

March 31,	2000
	\$
Assets	
Current assets	
Cash	330
Long-term investment (note 3)	60,000
	<u>60,330</u>
Liabilities	
Current liabilities	
Interest payable	445
Due to the Province of British Columbia (note 4)	61,833
	<u>62,278</u>
Shareholder's deficit	
Share capital (note 6)	-
Deficit	(1,948)
	<u>60,330</u>

On behalf of the Board

Director



Director



577315 BRITISH COLUMBIA LTD.

Statement of Operations

(in thousands)

Year Ended March 31,	2000
	\$
Revenue	
Miscellaneous	575
	<hr/>
	575
	<hr/>
Expenses	
Interest	2,519
Professional fees	4
	<hr/>
	2,523
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Loss from operations	(1,948)
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Deficit end of year	(1,948)

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Statement of Cash Flows

(in thousands)

Year Ended March 31,	2000
	\$
Cash flows from operating activities	
Operating expenses	(2,078)
Cash flows from financing activities	
Miscellaneous	575
Loans	332,589
Repayments	(270,756)
	62,408
Cash flows from investing activities	
Purchase of investment	(60,000)
Cash end of year	330

577315 BRITISH COLUMBIA LTD.

Notes to the Financial Statements

March 31, 2000

(tabular amounts in thousands)

1. Nature of business

577315 British Columbia Ltd., a provincial Crown corporation (the "Corporation") was incorporated on December 29, 1998 under the Company Act of British Columbia. Operations commenced on April 1, 1999.

The purpose of the Corporation is to hold an equity investment in Western Star Trucks Holdings Ltd.

The Minister of Finance and Corporate Relations acts as fiscal agent for the Corporation.

The Corporation is exempt from federal and provincial taxes.

2. Significant accounting policies

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

3. Long-term investment

The Corporation has invested \$60 million in redeemable, convertible, retractable preferred shares of Western Star Trucks Holdings Ltd. There are 200,000 preferred shares in each of the three series – Series A, B and C. The shares are non-voting, carry no right to receive dividends and mature on May 29, 2009.

The Corporation can convert, subject to certain conditions, the Series A, B and C preferred shares at any time after November 15, 2000, December 31, 2003 and December 31, 2006, respectively. These are converted into common shares of Western Star Trucks Holdings Ltd. at 95% of the closing market price of the common shares of Western Star Trucks Inc. for a 20 day period prior to the date of conversion. In the event the exercise conversion right would result in the Corporation having acquired more than 10% of the total issued common shares, Western Star Trucks Holdings Ltd. has the right to satisfy the conversion right by paying the principal amount being converted into cash, together with a 13.67% premium.

The retraction feature entitles the Corporation to redeem the preferred shares in principal amount equal to the amount of any proceeds that have not been used for the purpose above. Under various default conditions, the Corporation also has the right to require Western Star Trucks Holdings Ltd. to immediately redeem all of the

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Notes to the Financial Statements

March 31, 2000

(tabular amounts in thousands)

3. Long-term investment-continued

preferred shares, and in certain circumstances pay early redemption premiums. In those circumstances, the Province has no further obligation to pay the employment maintenance and training incentive contribution.

Western Star Trucks Holdings Ltd. has the right to redeem the preferred shares at any time upon 21 days notice, subject to payment of the outstanding principle amount of the preferred shares, an early redemption premium and other conditions and relieving the Province from any obligation to pay the employment maintenance and training incentive contribution.

4. Due to the Province of British Columbia

The Corporation has the authority to borrow up to a maximum of \$104 million from the Province of British Columbia, with interest charged based on prevailing money market rates.

<u>Loan</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Maturity Amount</u>
	%		\$	\$
1	5.13	April 24, 2000	31,218	31,600
2	5.05	May 23, 2000	30,615	31,000
			<u>61,833</u>	<u>62,600</u>

5. Related party transactions

The Corporation is related through common ownership to all 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 amount.

The Ministry of Employment and Investment provides general administrative services to the Corporation at no cost. The cost of this support is not material and has not been recorded in these financial statements.

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Notes to the Financial Statements

March 31, 2000

(tabular amounts in thousands)

6. Share capital

The Corporation has authorized capital consisting of 100,000,000 preference shares with a par value of one dollar each and 100,000,000 common shares with no par value. The Minister of Employment and Investment holds the one common share issued as representative of Her Majesty the Queen in right of the Province of British Columbia.