

Auditors' Report

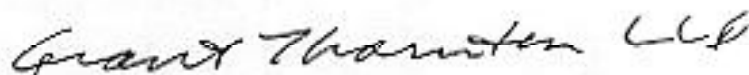
To the Shareholder of
B.C. Pavilion Corporation

We have audited the balance sheet of B.C. Pavilion Corporation as at March 31, 2000 and the statements of operations 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 audit.

We conducted our audit in accordance with 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, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles. 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.

Vancouver, Canada
April 28, 2000



Chartered Accountants

B.C. Pavilion Corporation

Balance Sheet

(in thousands)


| March 31 | 2000 | 1999 |
|--|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash | \$ 5,354 | \$ 3,818 |
| Receivables | 2,762 | 2,048 |
| Prepays | 408 | 387 |
| | <u>8,524</u> | <u>6,253</u> |
| Capital assets (Note 3) | <u>147,895</u> | <u>150,621</u> |
| | <u>\$ 156,419</u> | <u>\$ 156,874</u> |
| Liabilities | | |
| Current | | |
| Payables | \$ 4,715 | \$ 3,499 |
| Deferred revenue | <u>2,963</u> | <u>3,273</u> |
| | <u>7,678</u> | <u>6,772</u> |
| Deferred government contributions (Note 4) | <u>117,609</u> | <u>118,970</u> |
| | <u>125,287</u> | <u>125,742</u> |
| Shareholder's Equity | | |
| Capital stock (Note 5) | 1 | 1 |
| Contributed surplus | <u>31,131</u> | <u>31,131</u> |
| | <u>31,132</u> | <u>31,132</u> |
| | <u>\$ 156,419</u> | <u>\$ 156,874</u> |

Commitments (Note 8)

On behalf of the Board


 Diana Reid

Chairman of the Board


 Catherine Van Alstine

Chair of the Audit Committee

B.C. Pavilion Corporation Statement of Operations

(In thousands)

Year Ended March 31

| | 2000 | 1999 |
|--|----------------|----------------|
| Revenues from operations | \$ 31,557 | \$ 26,206 |
| Direct costs | <u>13,435</u> | <u>11,480</u> |
| | <u>18,122</u> | <u>14,726</u> |
| Facility expenses | | |
| Staffing | 7,896 | 7,633 |
| Operating | 5,216 | 4,661 |
| General and administration | 2,326 | 1,948 |
| Business development | 1,014 | 1,302 |
| Fees | 532 | 443 |
| Depreciation | <u>4,879</u> | <u>4,710</u> |
| | <u>21,863</u> | <u>20,697</u> |
| Loss before government contributions | <u>(3,741)</u> | <u>(5,971)</u> |
| Government contributions (Note 4) | | |
| Deferred contributions applied to offset depreciation recorded on capital assets contributed by the Province of British Columbia | 4,856 | 4,388 |
| Draw down from (recovery of) deferred contributions from the Province of British Columbia for operating purposes | <u>(1,115)</u> | <u>1,583</u> |
| | <u>3,741</u> | <u>5,971</u> |
| Net earnings | \$ <u>-</u> | \$ <u>-</u> |

B.C. Pavilion Corporation Statement of Cash Flows

(in thousands)

Year Ended March 31

2000

1999

Cash derived from (applied to)

Operating

| | | | | |
|--|----|---------|----|---------|
| Loss before government contributions | \$ | (3,741) | \$ | (5,971) |
| Depreciation | | 4,879 | | 4,710 |
| Deferred revenue | | (310) | | 408 |
| Gain on sale of capital assets | | (100) | | (58) |
| Change in non-cash operating working capital (Note 7) | | 481 | | (74) |

1,209

(985)

Financing

| | | | | |
|---|--|--------------|--|--------------|
| Contributions from the Province of British Columbia | | <u>2,380</u> | | <u>2,194</u> |
|---|--|--------------|--|--------------|

Investing

| | | | | |
|----------------------------|--|---------|--|---------|
| Capital asset additions | | (2,179) | | (2,074) |
| Capital asset dispositions | | 126 | | 59 |

(2,053)

(2,015)

Net increase (decrease) in cash

1,536

(806)

Cash

| | | | | |
|-------------------|--|--------------|--|--------------|
| Beginning of year | | <u>3,818</u> | | <u>4,624</u> |
|-------------------|--|--------------|--|--------------|

| | | | | |
|-------------|----|--------------|----|--------------|
| End of year | \$ | <u>5,354</u> | \$ | <u>3,818</u> |
|-------------|----|--------------|----|--------------|

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)

March 31, 2000

1. General

B.C. Pavilion Corporation was incorporated by the Province of British Columbia on May 3, 1984 under the Company Act of British Columbia. The mandate of the Corporation is to generate net economic benefit for the people of British Columbia through the management of certain public facilities in the province.

The Corporation owns and operates B.C. Place Stadium, Bridge Studios and Tradex, and operates the Vancouver Convention & Exhibition Centre and Robson Square Conference Centre under separate agreements.

2. Summary of significant accounting policies

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

Use of estimates

In conformity with generally accepted accounting principles, management is required to make estimates and assumptions that could 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 year. Actual results could differ from those reported.

Capital assets

Capital assets funded through contributions by the Province of British Columbia, either to the Corporation or to predecessor Crown corporations, are recorded at cost less accumulated depreciation.

Capital assets funded by the Government of Canada are recorded at cost, net of the related contributions and less accumulated depreciation.

Capital assets contributed by other parties in exchange for services are recorded at the fair market value of the assets less accumulated depreciation.

Assets are depreciated over their estimated useful lives to the Corporation:

| | |
|---------------------------|--|
| Building and improvements | 10 to 50 years: buildings are depreciated on the sinking fund method; improvements on the straight line method |
| Furniture | 5 years, straight line |
| Computers | 3 years, straight line |
| Leasehold improvements | over the shorter of the estimated useful life of the improvement and the term of the lease |
| Motor vehicles | 30% per annum, declining balance |
| Other capital assets | 1 to 10 years, straight line |

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2000

2. Summary of significant accounting policies (Continued)

Government contributions

Funding received from the Province of British Columbia is deferred until utilized:

- Funding used for operations is recognized as a recovery in the statement of operations to the extent operating expenses exceed revenues. If revenues exceed operating expenses, the excess is considered a recovery of prior years funding and is transferred to deferred contributions.
- Funding used for the acquisition of depreciable capital assets is reflected as a recovery in the statement of operations in an amount equal to that required to offset depreciation charged on related depreciable capital assets.
- Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to contributed surplus when the related assets are acquired.

Operating revenues and expenses

Operating revenues and expenses are recorded on the accrual method.

Contra-transactions

Deferred revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

Superannuation fund

Eligible employees of the Corporation participate in the British Columbia Public Service Employees' Superannuation program. For fiscal 2000, the Corporation also contributed an amount equivalent to 100% of the employee contributions.

Financial instruments

The Corporation has various financial instruments including cash, receivables and payables. The carrying values of these financial instruments approximates their fair value due to their short term nature.

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2000

| | | | | 2000 | | 1999 | | |
|--------------------------------|----|----------------|----|---------------|---------------------------------|-----------------------|-----------------------|----------------|
| | | | | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Net Book Value</u> | |
| 3. Capital assets | | | | | | | | |
| Facilities | | | | | | | | |
| B.C. Place Stadium | \$ | 173,365 | \$ | 39,364 | \$ | 134,001 | \$ | 135,669 |
| Bridge Studios | | 14,471 | | 4,832 | | 9,639 | | 10,266 |
| Tradex | | 5,175 | | 2,337 | | 2,838 | | 2,927 |
| Vancouver | | | | | | | | |
| Convention & Exhibition Centre | | 3,433 | | 2,361 | | 1,072 | | 1,364 |
| Other | | 3,386 | | 3,041 | | 345 | | 395 |
| | \$ | <u>199,830</u> | \$ | <u>51,935</u> | \$ | <u>147,895</u> | \$ | <u>150,621</u> |

| | | | | 2000 | | 1999 | | |
|---|----|----------------|----|----------------------|------------------|----------------|--------------|----------------|
| | | | | <u>Capital Asset</u> | <u>Operating</u> | <u>Total</u> | <u>Total</u> | |
| 4. Deferred government contributions | | | | | | | | |
| Balance, beginning of year | \$ | 118,970 | \$ | - | \$ | 118,970 | \$ | 122,747 |
| Contributions received from the Province of British Columbia | | 2,179 | | 201 | | 2,380 | | 2,194 |
| Recovery from operations | | - | | 1,115 | | 1,115 | | - |
| | | <u>121,149</u> | | <u>1,316</u> | | <u>122,465</u> | | <u>124,941</u> |
| Allocated to operations: | | | | | | | | |
| To fund current operating deficiency | | - | | - | | - | | (1,583) |
| To offset depreciation recorded on related capital assets | | (4,856) | | - | | (4,856) | | (4,388) |
| Transfer from operating contributions to cover funding shortfall of prior year capital asset acquisitions | | 1,316 | | (1,316) | | - | | - |
| | | <u>(3,540)</u> | | <u>(1,316)</u> | | <u>(4,856)</u> | | <u>(5,971)</u> |
| Balance, end of year | \$ | <u>117,609</u> | \$ | <u>-</u> | \$ | <u>117,609</u> | \$ | <u>118,970</u> |

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2000

| | | |
|--|-----------------------|-----------------------|
| 5. Capital stock | <u>2000</u> | <u>1999</u> |
| Authorized: | | |
| 10,000 common shares without par value | | |
| Issued: | | |
| 1 share, held by Her Majesty the Queen in right of the Province of British Columbia | \$ <u> 1</u> | \$ <u> 1</u> |

6. Environmental costs

The Corporation and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that exist at Bridge Studios or may exist at other facilities. These hazards are being actively monitored and mitigated by the Corporation's management. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to the Corporation.

| | | |
|---|-------------------------|--------------------------|
| 7. Change in non-cash operating working capital | <u>2000</u> | <u>1999</u> |
| Receivables | \$ (714) | \$ 791 |
| Prepays | (21) | 30 |
| Payables | <u>1,216</u> | <u>(895)</u> |
| | \$ <u> 481</u> | \$ <u> (74)</u> |

8. Commitments

The Corporation has obligations under long term, non-cancellable operating leases requiring future minimum payments of \$109 thousand for each of the next five years.

9. Related party transactions

In the normal course of operations, the Corporation acquires from and sells goods and services to the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

The Corporation pays 60% of the net income of Robson Square Conference Centre to B.C. Buildings Corporation as rental for this facility.