

Auditors' Report

To the Shareholder of the
Provincial Rental Housing Corporation


We have audited the balance sheet of the Provincial Rental Housing Corporation (the "Corporation") as at March 31, 2000 and the statements of revenue and expenditures and deficit 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 its cash flows for the year then ended in accordance with 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.

The financial statement balances for the prior year included for comparative purposes were audited by another firm of chartered accounts who reported without reservation in their auditors' report dated May 15, 1999.

Vancouver, Canada
May 19, 2000


Chartered Accountants

PROVINCIAL RENTAL HOUSING CORPORATION

Statement of Management Responsibility

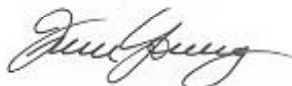
The financial statements of the Provincial Rental Housing Corporation (the "Corporation") have been prepared by management in accordance with generally accepted accounting principles consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been 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. The system of internal controls is monitored by internal auditors. Also, the Corporation's external auditors independently perform such tests of the system of internal controls as they consider necessary for the purpose of expressing their opinion on the financial statements.

The Audit and Finance Committee, which is comprised of Directors of the British Columbia Housing Management Commission, oversees management's discharge of its financial reporting responsibilities. The committee meets periodically with management, the internal auditors and the external auditors to discuss auditing, financial reporting and internal control matters. Both internal and external auditors have access to the Audit and Finance Committee without management's presence.



Shayne Ramsay
A/Chief Executive Officer



Irene Young
Chief Financial Officer

May 19, 2000

PROVINCIAL RENTAL HOUSING CORPORATION

Balance Sheets

As at March 31, 2000 and 1999

	2000 <u>(\$000's)</u>	1999 <u>(\$000's)</u>
ASSETS		
Investment in properties (note 3)	\$ 336,645	\$ 331,233
Due from British Columbia Housing Management Commission (note 4)	204	-
Debenture subsidy receivable	1,843	1,852
Term deposits	-	1
Cash	1	1
	<u>\$ 338,693</u>	<u>\$ 333,087</u>
LIABILITIES		
Long-term debt (note 5)	\$ 143,120	\$ 138,943
Unearned lease revenue	91,388	88,572
Funding in advance of construction (note 6)	4,577	4,461
Due to British Columbia Housing Management Commission (note 4)	-	3,118
Interest payable	765	784
	<u>239,850</u>	<u>235,878</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)	19,023	20,670
Accumulated deficit	(2,621)	(5,902)
	<u>98,843</u>	<u>97,209</u>
	<u>\$ 338,693</u>	<u>\$ 333,087</u>

Approved by the Board:



Director



Director

PROVINCIAL RENTAL HOUSING CORPORATION

**Statements of Revenue and Expenditures
and Accumulated Deficit**

For the years ended March 31, 2000 and 1999

	2000 <u>(\$000's)</u>	1999 <u>(\$000's)</u>
Revenue		
Directly managed debenture subsidy	\$ 7,372	\$ 7,404
Group home mortgage subsidy	8,227	9,454
Lease revenue	<u>2,509</u>	<u>2,298</u>
	<u>18,108</u>	<u>19,156</u>
Expenditures		
Depreciation	5,274	5,344
Interest on long-term debt	<u>9,553</u>	<u>10,042</u>
	<u>14,827</u>	<u>15,386</u>
Excess of revenue over expenditures	3,281	3,770
Accumulated Deficit		
Balance, beginning of year	<u>(5,902)</u>	<u>(9,672)</u>
Balance, end of year	<u>\$ (2,621)</u>	<u>\$ (5,902)</u>

PROVINCIAL RENTAL HOUSING CORPORATION

Statements of Cash Flows

For the years ended March 31, 2000 and 1999

	2000 (\$000's)	1999 (\$000's)
Cash provided from (used in):		
Operating activities		
Excess of revenue over expenditures	\$ 3,281	\$ 3,770
Depreciation	5,274	5,344
Changes in non-cash operating working capital	2,788	9,296
Cash provided by operating activities	<u>11,343</u>	<u>18,410</u>
Investing activities		
Property acquisition	(10,668)	(36,360)
Term deposits	1	128
Cash used in investing activities	<u>(10,667)</u>	<u>(36,232)</u>
Financing activities		
Funding in advance of construction	116	(16,365)
Long-term debt	4,177	13,529
Property acquisition contribution (note 7)	(1,647)	3,086
Due to/from British Columbia Housing Management Commission	(3,322)	17,572
Cash (used in) provided by financing activities	<u>(676)</u>	<u>17,822</u>
Change in cash position during the year	-	-
Cash position, beginning of year	<u>1</u>	<u>1</u>
Cash position, end of year	<u>\$ 1</u>	<u>\$ 1</u>

PROVINCIAL RENTAL HOUSING CORPORATION

Notes to Financial Statements

For the years ended March 31, 2000 and 1999

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

a) Investment in properties

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

b) Insurance

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

c) 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.

d) Group home mortgage subsidy

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

e) 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, and accordingly any interest earned by the Corporation is recorded by the Commission.

PROVINCIAL RENTAL HOUSING CORPORATION

Notes to Financial Statements

For the years ended March 31, 2000 and 1999

f) 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.

g) Net proceeds on property replacements

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 charged to property acquisition contribution.

h) Construction grants from the Province

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.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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.

j) 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 approximate their carrying values.

PROVINCIAL RENTAL HOUSING CORPORATION

Notes to Financial Statements

For the years ended March 31, 2000 and 1999

3. Investment in Properties

	2000 (\$000's)		Net Book Value	1999
	Historical Cost	Accumulated Depreciation		Net Book Value
Land	\$ 264,575	\$ -	\$ 264,575	\$ 259,408
Buildings	147,344	75,886	71,458	70,803
Construction in progress	612	-	612	1,022
Total	<u>\$ 412,531</u>	<u>\$ 75,886</u>	<u>\$ 336,645</u>	<u>\$ 331,233</u>

4. Due to/from British Columbia Housing Management Commission

Amounts represent funds advanced for the acquisition and development of properties under social housing programs.

5. Long-term Debt

	2000 (\$000's)	1999 (\$000's)
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 certain properties of the Corporation with a historical cost of \$56,004,563	\$ 41,641	\$ 42,177
Chartered banks and CMHC		
Mortgages repayable monthly over terms of up to 35 years Bearing interest at rates from 5.0% to 9.8%, and secured by registered first mortgages on various properties of the Corporation.	<u>101,479</u>	<u>96,766</u>
	<u>\$ 143,120</u>	<u>\$ 138,943</u>

The aggregate repayment of principal required to meet total debt obligations in each of the next five fiscal years is estimated to be as follows:

	(\$000)
2001	\$ 19,852
2002	17,567
2003	23,527
2004	23,198
2005	27,527
Thereafter	31,449
	<u>\$ 143,120</u>

PROVINCIAL RENTAL HOUSING CORPORATION
Notes to Financial Statements
 For the years ended March 31, 2000 and 1999

6. Funding in Advance of Construction

This balance represents construction funding received or committed by 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

	<u>2000</u> <u>(\$000's)</u>	<u>1999</u> <u>(\$000's)</u>
Property acquisition contribution, beginning of year	\$ 20,670	\$ 17,584
Net proceeds on property replacements	165	1,186
Net receipts from the Province	1,924	3,078
Repayments to the Province	<u>(3,736)</u>	<u>(1,178)</u>
Property acquisition contribution, end of year	<u>\$19,023</u>	<u>\$ 20,670</u>