

B.C. Pavilion Corporation
Financial Statements

(in thousands)

March 31, 2003

Grant Thornton 

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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, 2003 and the statements of operations and operations deficiency 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 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian 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
May 2, 2003

Grant Thornton LLP

Chartered Accountants

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B.C. Pavilion Corporation

Balance Sheet

(in thousands)

March 31

2003

2002

Assets

Current

Cash	\$	3,706	\$	3,985
Receivables		1,541		1,711
Prepays		968		583

6,215 6,279

Capital assets (Note 3)

138,563 141,712

\$ 144,778 \$ 147,991

Liabilities

Current

Trade payables and accrued liabilities	\$	2,704	\$	2,761
Accrued costs of cessation of operations		1,331		1,201
Unearned revenue		3,239		3,718

7,274 7,680

Deferred government contributions (Note 4)

108,446 111,446

115,720 119,126

Shareholder's Equity

Capital stock (Note 5)

Capital stock (Note 5)		1		1
Contributed surplus		31,131		31,131
Operations deficiency		(2,074)		(2,267)

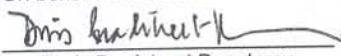
29,058 28,865


\$ 144,778 \$ 147,991

Cessation of operations (Note 1)

Commitments (Note 8)

On behalf of the Board

 Chairman of the Board
Doris Bradstreet Daughney

 Chairman of the Audit Committee
John Horning

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Statements of Operations and Operations Deficiency

(in thousands)

Year Ended March 31	2003	2002
Revenues from operations	\$ 26,657	\$ 27,304
Direct costs	<u>11,908</u>	<u>12,269</u>
	<u>14,749</u>	<u>15,035</u>
Facility expenses		
Staffing	6,359	7,483
Operating	5,180	5,128
General and administration	1,892	1,880
Business development	677	718
Fees	569	766
Depreciation	<u>4,378</u>	<u>4,566</u>
	<u>19,055</u>	<u>20,541</u>
Loss before other expenses	<u>4,306</u>	<u>5,506</u>
Other expenses		
Severance payments and other costs of cessation of operations (Note 1)	901	1,201
Proposed convention centre expansion	<u>-</u>	<u>1,589</u>
	<u>901</u>	<u>2,790</u>
Loss before government contributions	<u>5,207</u>	<u>8,296</u>
Government contributions (Note 4)		
Deferred contributions applied to offset depreciation recorded on capital assets contributed by the Province of British Columbia	4,341	4,520
Deferred contributions from the Province of British Columbia for operating purposes utilized		
To fund current operations deficiency	866	1,509
To fund prior year operations deficiency	<u>193</u>	<u>-</u>
	<u>5,400</u>	<u>6,029</u>
Net operations surplus (deficiency)	\$ <u>193</u>	\$ <u>(2,267)</u>
Operations deficiency, beginning of year	\$ (2,267)	\$ -
Net operations surplus (deficiency)	<u>193</u>	<u>(2,267)</u>
Operations deficiency, end of year	\$ <u>(2,074)</u>	\$ <u>(2,267)</u>

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Statement of Cash Flows

(in thousands)

Year Ended March 31

2003

2002

Cash derived from (applied to)

Operating

Loss before government contributions	\$	(5,207)	\$	(8,296)
Depreciation		4,378		4,566
Unearned revenue		(479)		109
Change in non-cash operating working capital (Note 7)		<u>(142)</u>		<u>1,269</u>
		(1,450)		(2,352)

Financing

Contributions from the Province of British Columbia		2,400		3,000
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Investing

Capital asset additions		<u>(1,229)</u>		<u>(1,787)</u>
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Net decrease in cash (279) (1,139)

Cash

Beginning of year 3,985 5,124

End of year \$ 3,706 \$ 3,985

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2003

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 economic and community benefit for the people of British Columbia through the management of public tourism and cultural facilities.

The Corporation owns and operates BC Place Stadium, Bridge Studios and Tradex, and operates the Vancouver Convention & Exhibition Centre under a separate agreement.

In February 2002, at a meeting with the Core Review and Deregulation Task Force, the Task Force recommended that various changes be made to the service delivery model of B.C. Pavilion Corporation. The changes recommended included the sale, transfer and cessation of some operations.

The impact of that decision on the Corporation's operations has been considered and provision has been made in these financial statements for the Corporation's estimate of incremental costs expected to be incurred related to severance of employees and commitments for lease of premises and parking improvements. All other costs that will be incurred until cessation of operations are considered ordinary operating costs and will be accounted for as such in future financial statements.

2. Summary of significant accounting policies

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 fair value less accumulated depreciation.

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2003

2. Summary of significant accounting policies (Continued)

Capital assets (Continued)

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

Building and improvements	10 to 50 years: original buildings are depreciated on the sinking fund method and 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

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 acquisition of depreciable capital assets is recognized as a recovery in the statement of operations equal to 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.

Revenue recognition

Revenue from events at BC Place Stadium, Tradex and the Vancouver Convention & Exhibition Centre is recognized on the completion of events. Revenue from Bridge Studios is recognized as the facility is utilized. Amounts received in advance of event completion and facility utilization are recorded as unearned revenues.

Contra-transactions

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

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2003

2. Summary of significant accounting policies (Continued)

Superannuation fund

The employees and employers of the Public Service and Miscellaneous Employers contribute to the Public Service Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a \$546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. B.C. Pavilion Corporation paid \$369,016 for employer contributions to the plan in fiscal 2003.

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.

3. Capital assets		<u>2003</u>		<u>2002</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	
Facilities					
BC Place Stadium	\$ 174,596	\$ 47,272	\$ 127,324	\$	129,664
Bridge Studios	14,431	6,695	7,736		8,399
Tradex	5,394	3,159	2,235		2,460
Vancouver					
Convention & Exhibition Centre	5,307	4,043	1,264		1,152
Corporate Office	143	139	4		37
	<u>\$ 199,871</u>	<u>\$ 61,308</u>	<u>\$ 138,563</u>	<u>\$</u>	<u>141,712</u>

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2003

			<u>2003</u>	<u>2002</u>
	<u>Capital Assets</u>	<u>Operating</u>	<u>Total</u>	<u>Total</u>
4. Deferred government contributions				
Balance, beginning of year	\$ 111,446	\$ -	\$ 111,446	\$ 114,475
Contributions received from the Province of British Columbia	1,341	1,059	2,400	3,000
	<u>112,787</u>	<u>1,059</u>	<u>113,846</u>	<u>117,475</u>
Allocated to operations:				
To fund current operating deficiency	-	(866)	(866)	1,509
To offset depreciation recorded on related capital assets	(4,341)	-	(4,341)	4,520
To fund prior year operating deficiency	-	(193)	(193)	-
	<u>(4,341)</u>	<u>(1,059)</u>	<u>(5,400)</u>	<u>6,029</u>
Balance, end of year	\$ <u>108,446</u>	\$ -	\$ <u>108,446</u>	\$ <u>111,446</u>

5. Capital stock 2003 2002

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

\$ 1 \$ 1

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.

B.C. Pavilion Corporation

Notes to the Financial Statements

(in thousands)
March 31, 2003

7. Change in non-cash operating working capital	2003	2002
Receivables	\$ 170	\$ 1,343
Prepays	(385)	212
Trade payables and accrued liabilities	(57)	(1,487)
Accrued costs of cessation of operations	130	1,201
	<u>\$ (142)</u>	<u>\$ 1,269</u>

8. Commitments

The Corporation is committed under long term, non-cancellable operating leases requiring future minimum payments of \$200 thousand for each of the next three years.

The Corporation has contracted to pay \$900 thousand over ten years ending 2010 for traffic and parking improvements at a facility. \$700 thousand remains outstanding at March 31, 2003.

With respect to both of these commitments, appropriate accruals have been made and included in "accrued costs of cessation of operations".

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.