



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2007**



Management's Report

The financial statements of Tourism British Columbia for the year ended March 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of Tourism British Columbia as at March 31, 2007, and the results of operations and changes in cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

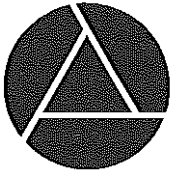
The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.

Rod Harris
President and Chief Executive Officer
Tourism British Columbia

Len Dawes, CA
Chief Financial Officer
Tourism British Columbia

May 22, 2007



Report of the Office of the Auditor General of British Columbia

*To the Board of Directors of
Tourism British Columbia, and*

*To the Minister of Tourism, Sport and the Arts
Province of British Columbia:*

I have audited the statement of financial position of *Tourism British Columbia* as at March 31, 2007 and the statements of operations and net assets and cash flows for the year then ended. 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 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 financial statements present fairly, in all material respects, the financial position of *Tourism British Columbia* as at March 31, 2007 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 22, 2007*

Errol Price, CA
Deputy Auditor General


TOURISM BRITISH COLUMBIA
Statement of Financial Position

(in \$000s)

March 31,	2007	2006
Assets		
Current assets		
Cash (Note 15)	23,220	15,498
Receivables		
Province of British Columbia	2,657	2,488
Program	993	1,113
Inventories	106	101
Prepaid	244	2,068
	27,220	21,268
Loans receivable (Note 5)	178	110
Intangible asset (Note 7)	275	277
Property, plant and equipment (Note 6)	6,465	5,570
	34,138	27,225
Liabilities and equity		
Current liabilities		
Payables and accruals		
Program	15,568	14,115
Province of British Columbia	385	445
Current portion of long term liabilities (Note 8)	228	81
Deferred revenue	2,619	2,664
Deferred contributions (Note 11)	76	334
	18,876	17,639
Long term liabilities (Note 8)	448	1,079
	19,324	18,718
Equity		
Net assets	5,557	5,047
Contributed surplus (Note 14)	7,997	2,200
Contributed land (Note 10)	1,260	1,260
	14,814	8,507
	34,138	27,225

Commitments (Note 9)

Approved on behalf of the Board:


Board Chair


Director

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

TOURISM BRITISH COLUMBIA
Statement of Operations and Net Assets

(In \$000s)

Year ended March 31,	2007	2006
Hotel room tax	29,950	27,565
Grants and contributions (Note 13)	20,722	22,834
Program revenue (Note 3)	8,043	8,094
Investment and miscellaneous income	894	404
	<u>59,609</u>	<u>58,897</u>
Marketing	29,360	32,335
Visitor services	14,339	14,219
Business development	7,310	4,902
Support services	4,689	4,292
Amortization	3,401	1,556
Write down of intangible asset (Note 7)	-	570
	<u>59,099</u>	<u>57,874</u>
Net revenue	510	1,023
Net assets, beginning of year	5,047	4,024
Net assets, end of year	<u>5,557</u>	<u>5,047</u>

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

TOURISM BRITISH COLUMBIA
Statement of Cash Flows

(In \$000s)		
Year ended March 31,	2007	2006
Operating activities		
Net revenue	510	1,023
Change in working capital		
Receivables	(49)	1,717
Inventories	(5)	38
Prepaid expenses	1,824	(581)
Loans receivable	(68)	-
Payables and accruals	1,393	7,695
Deferred revenue	(45)	(2)
Deferred contributions	(258)	(844)
	<u>2,792</u>	<u>8,023</u>
Items not involving cash		
Amortization expense	3,401	1,556
Amortization of contributed surplus	(3)	-
Writedown of intangible asset	-	570
	<u>-</u>	<u>570</u>
Cash flows from operating activities	<u>6,700</u>	<u>11,172</u>
Investing activities		
Additions to capital assets	(4,246)	(983)
Additions to intangible assets	(48)	(41)
	<u>(4,294)</u>	<u>(1,024)</u>
Cash flows (used in) investing activities	<u>(4,294)</u>	<u>(1,024)</u>
Financing activities		
Deferred capital contributions	5,800	200
Long term liabilities	(484)	121
	<u>(484)</u>	<u>121</u>
Cash flows from financing activities	<u>5,316</u>	<u>321</u>
Net increase in cash	<u>7,722</u>	<u>10,469</u>
Cash beginning of year	<u>15,498</u>	<u>5,029</u>
Cash end of period	<u>23,220</u>	<u>15,498</u>

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

TOURISM BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

1. Authority and purpose

Tourism British Columbia (the Corporation) is a provincial Crown corporation established by the *Tourism British Columbia Act* on June 27, 1997. The purpose of the Corporation is to promote development and growth in the tourism industry, to increase revenue and employment in the industry throughout British Columbia and to increase the economic benefits generated by the industry.

Under the *Tourism British Columbia Act*, Tourism British Columbia is entitled to the net revenue collected under section 3.1 of the *Hotel Room Tax Act*.

The Corporation is exempt from federal and provincial income taxes and from the federal goods and services tax.

2. Significant accounting policies

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

(a) Revenue recognition

Hotel room tax revenue is recognized in the period that consumers are charged the tax on their accommodation by the provincial government.

Program revenues are recognized in the period services are rendered.

Subscription revenues in the *British Columbia Magazine* operations are deferred and recognized as the magazine is published.

Contributed surplus is amortized to revenue over the expected life of the buildings which they fund.

(b) Intangible assets

Trademarks are amortized over their estimated useful life.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value.

Supplies inventories are valued at cost.

(d) Related parties

Tourism British Columbia is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

Buildings	40 years
Computer equipment	3 years
Destination management system	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Trademarks	10 years
Trail improvements	10 years
Vehicles	5 years

Computer software and assets costing less than \$500 are expensed in the year of purchase.

(f) Foreign currency translation

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

(g) Construction-in-progress

Assets under construction or development are recorded at cost and include direct costs during construction or development. When these asset are operational, their costs will be amortized over their estimated useful lives.

(h) Measurement uncertainty

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 and liabilities at the date of the financial statements and the reported amounts of the revenues and other expenditures during the period. Actual results could differ from these estimates.

3. Program revenue

	<u>2007</u>	<u>2006</u>
BC Magazine	2,409	2,365
Commission and sign up fees	2,717	2,736
Listing fees	1,382	1,530
Display ads	689	624
Training Services	319	308
Merchandise sales and royalties	274	240
Quality assurance program	190	189
Miscellaneous	63	102
	<u>8,043</u>	<u>8,094</u>

4. Financial instruments

The Corporation's financial instruments consist of cash held in its various bank accounts, accounts and loan receivable, accounts payable and long term liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

5. Loans receivable

Tourism British Columbia has extended two loans totaling \$110,000 to Adventure Management Ltd., the contracted service provider that operates the Coquihalla and Mt. Robson Visitor Centres; a loan of \$42,000 to Kicking Horse Mountain Resort Ltd., the contracted service provider that operates the new Golden Visitor Centre; and a loan of \$26,000 to Destination Osoyoos Development Society, the contracted service provider that operates the new Osoyoos Visitor Centre. The purpose of these loans is to support a royalty model for merchandise sales at these Tourism British Columbia operated Visitor Centres by providing financing for the purchase of inventory for resale. Interest on these loans is currently calculated at 5% per annum, payable monthly, with the principal due upon termination of the contract.

6. Property, plant and equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Contributed land (Note 10)	1,260	-	1,260	1,260
Assets under construction				
Peace Arch Visitor Centre	188	-	188	187
Merritt Visitor Centre	24	-	24	10
Reservation System	139	-	139	138
	351	-	351	335
Destination management system	5,453	4,234	1,219	2,274
Consumer websites	2,438	1,739	699	554
Computer equipment	1,475	1,405	70	54
Trail improvements	553	87	466	524
Osoyoos Visitor Centre	1,741	3	1,738	5
Furniture and equipment	941	660	281	329
Leasehold improvements	825	495	330	204
Vehicles	87	36	51	31
	13,513	8,659	4,854	3,975
	15,124	8,659	6,465	5,570

7. Intangible assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Registered trademarks	496	221	275	277

The estimated fair value of the BC Magazine subscriber list acquired in 2001 was written down in the prior year from \$570,461 to \$0.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

8. Long term liabilities	2007	2006
Employee leave liability	413	429
Less: Current portion	(228)	(81)
	<u>185</u>	<u>348</u>
Amount heldback for contracts	3	477
Employee future post-retirement benefits	<u>260</u>	<u>254</u>
	<u>448</u>	<u>1,079</u>

9. Commitments

The future remaining commitments are:	Office Leases	Contractual Obligations	Total
2007/8	1,387	24,136	25,523
2008/9	1,392	18,239	19,631
2009/10	1,434	11,308	12,742
2010/11	1,137	10,105	11,242
2011/12 and beyond	<u>3,527</u>	<u>3,000</u>	<u>6,527</u>
	<u>8,877</u>	<u>66,788</u>	<u>75,665</u>

Tourism British Columbia has many contractual obligations in place, however, all Tourism British Columbia contractual obligations have a termination clause.

10. Contributed land

In May 2004, Trans Canada Trail Foundation donated land parcels of former rail trails to Tourism British Columbia. This land has been recorded at \$1,259,800 on the balance sheet based on the property assessments at the time of transfer.

11. Deferred Contribution

On May 15, 2004, Tourism British Columbia signed a contribution agreement with the Community Futures Development Corporation (CFDC) under the Softwood Industry Community Economic Adjustment Initiative (SICEAI), a federal government program aimed at "offering sustainable and tangible economic benefits" to communities impacted by the softwood lumber dispute with the United States. Under the terms of the agreement, CFDC will match funding towards "Rails to Trails infrastructure improvements" up to a maximum of \$2.1 million. The trails eligible under the agreement include both Tourism British Columbia and other crown land. Tourism British Columbia has recorded its contribution of \$552,800 as trail improvements, and unspent contributions from regional districts of \$76,000 (2005/06: \$334,459) as a deferred contribution, pending completion of the trail improvements.

12. Employee benefit plans

Employee future pension benefits

Tourism British Columbia and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary has determined that an increase

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

in contribution rates of 1.88% each, for plan members and employers, is necessary in order for the Plan to maintain its long term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees have decided that this increase in rates will be introduced effective April 1, 2006. The total amount paid into this pension plan by Tourism British Columbia for the 2006/07 fiscal year was \$661,897 (2005/06: \$486,911).

Employee future post-retirement benefits

Obligations for employee retirement allowances are detailed in the Corporation's collective agreement. The Corporation has accrued the estimated costs of these benefits, and has adopted the policy on a prospective basis with no retroactive restatement of prior year amounts. The total amount accrued in long term liabilities at March 31, 2007 was \$260,578 (2005/06: \$253,526).

Employee pension - United Kingdom

Tourism British Columbia implemented a defined contribution pension plan for staff working in the United Kingdom in fiscal 2004. Staff contribute 5% of their base salary with a matching amount contributed by Tourism British Columbia. The pension plan is administered by Thomson's Wealth Management, a contracted pension administrator located in the United Kingdom. The total amount paid into this pension plan by Tourism British Columbia for the 2006/07 fiscal year was \$5,568 (2005/06: \$8,602).

13. Provincial operating grants and contributions

	<u>2007</u>	<u>2006</u>
Grants		
Ministry of Tourism, Sport and the Arts	20,050	22,435
	<u>20,050</u>	<u>22,435</u>
Contributions		
Ministry of Finance	308	158
Union of BC Municipalities	302	223
Ministry of Transportation & Highways	59	-
Ministry of Tourism, Sport and the Arts (Note 14)	3	-
Ministry of Agriculture and Lands	-	18
	<u>672</u>	<u>399</u>
Total	<u>20,722</u>	<u>22,834</u>

The grant from the Ministry of Tourism, Sport and the Arts is provided to Tourism British Columbia to make up the difference between Tourism British Columbia's share of the Hotel Tax and \$50 million. The Ministry of Transportation and Highways contribution of \$317,000 was received in fiscal 2005/06; \$59,000 was spent in 2006/07, but \$206,000 has been deferred to match against future expenses. \$500,000 was received in fiscal 2005/06 from the Union of BC Municipalities for Picture BC; \$302,250 was deferred to match against its intended use. In 2006/07, \$306,900 was received from the Ministry of Finance to fund the collective agreement signing bonuses for included staff; \$158,000 was received in 2005/06 for excluded employees.

14. Contributed surplus

In December 2006, Tourism British Columbia received \$5.8 million from the Ministry of Tourism, Sport and the Arts for the construction of new Visitor Centres at Merritt and Peace Arch; this is in addition to the \$200,000 received in March 2006 for these projects. In March 2005, \$2.0 million was received for the construction of a new Visitor Centre at Osoyoos. These funds have been recorded as contributed surplus and is being recognized as revenue over the estimated life of the buildings.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

15. Cash

Cash for restricted purposes represents funds received for construction of Visitor Centres and trail improvements.

	<u>2007</u>	<u>2006</u>
Unrestricted cash	16,965	12,635
Cash for restricted purposes	6,255	2,863
Total cash	<u>23,220</u>	<u>15,498</u>

16. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the current year presentation.