

B.C. Pavilion Corporation
Financial Statements
March 31, 2008

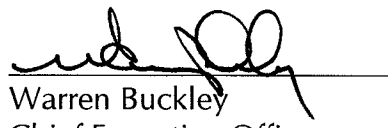
B.C. Pavilion Corporation

Statement of Management Responsibility

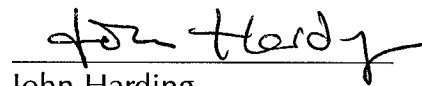
Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of *B.C. Pavilion Corporation*. These statements present fairly the financial position of the Corporation as at March 31, 2008 and results of its operations and cash flows for the year ended March 31, 2008.

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 work on the financial statements of *B.C. Pavilion Corporation*.



Warren Buckley
Chief Executive Officer



John Harding
Chief Financial Officer

Vancouver, British Columbia
May 9, 2008

B.C. Pavilion Corporation

Balance Sheet

(in \$000s)

March 31

2008

2007

Assets

Current

Cash and cash equivalents (Note 4)	39,702	8,532
Accounts receivable	2,487	2,245
Prepaid expenditures	1,032	508
Assets held for sale (Note 5)	-	5,525

43,221 16,810

Capital assets (Note 6)

51,684 52,802

94,905 69,612

Liabilities

Current

Trade payables and accrued liabilities	5,205	6,125
Current portion of long-term debt (Note 7)	75	75
Unearned revenue	4,452	3,645

9,732 9,845

Long-term

Long-term debt (Note 7)	168	268
Unearned revenue	608	513

776 781

10,508 10,626

Shareholder's Equity

Share capital (Note 9)	-	-
Contributed surplus	31,131	31,131
Deferred government contributions (Note 8)	26,669	29,929
Retained earnings	26,597	(2,074)

84,397 58,986

94,905 69,612

On behalf of the Board

Chair

Director

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Operations and Retained Earnings
(in \$000s)

Year Ended March 31	2008	2007
Revenues from operations (Note 10)	33,174	32,447
Direct costs	17,031	17,827
	16,143	14,620
Facility expenses		
Staffing	8,508	7,381
Operating	6,090	5,546
BC Place redevelopment (Note 16)	2,074	-
General and administration	2,019	1,894
Business development	1,480	1,459
Fees	1,050	1,136
Depreciation	3,369	3,084
	24,590	20,500
(Loss) on operations	(8,447)	(5,880)
Province of British Columbia contribution to operations	289	387
Amortization of deferred government contribution (Note 8)	3,260	3,489
	(4,898)	(2,004)
Discontinued operations		
Net income from Bridge Studios (Note 5)	391	2,004
Gain on the sale of Bridge Studios	33,178	-
	33,569	2,004
Net income	28,671	-
Operations deficiency – beginning of year	(2,074)	(2,074)
Retained earnings (operations deficiency) – end of year	26,597	(2,074)

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Cash Flows
(in \$000s)

Year Ended March 31	2008	2007
Operations		
(Loss) on operations	(8,447)	(5,880)
Items not involving cash		
Depreciation	3,369	3,084
Unearned revenue	902	(233)
Change in non-cash operating working capital (Note 11)	3,839	5,273
	(337)	2,244
Net income from Bridge Studios (Note 5)	391	2,004
<i>Cash provided by (used in) operations</i>	54	4,248
Investing		
Capital asset additions	(2,251)	(3,853)
Gain on the sale of Bridge Studios	33,178	-
(Decrease) in long-term debt	(100)	(100)
<i>Cash provided by (used in) investing activities</i>	30,827	(3,953)
Financing		
Contributions from the Province of British Columbia	289	5,010
<i>Cash provided (used in) by financing activities</i>	289	5,010
Net increase in cash and cash equivalents	31,170	5,305
Cash and cash equivalents – beginning of year	8,532	3,227
Cash and cash equivalents – end of year (Note 4)	39,702	8,532

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

1. Authority and purpose

B.C. Pavilion Corporation (PavCo) was incorporated under the laws of British Columbia on May 3, 1984. The mandate of PavCo is to generate economic and community benefit for the people of British Columbia through the management of public tourism and cultural facilities.

PavCo owns and operates BC Place and operates the Vancouver Convention & Exhibition Centre under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act as it is wholly owned by the Province of British Columbia.

2. Summary of significant accounting policies

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

Capital assets

Capital assets funded through contributions by the Province of British Columbia 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 their fair value less accumulated depreciation.

Assets are depreciated over their estimated useful lives to PavCo:

Buildings and improvements	10 to 50 years, straight line
Furniture	5 years, straight line
Computer equipment	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
Equipment and other capital assets	1 to 10 years, straight line

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

Government funding

Funding received from the Province of British Columbia is recognized as deferred government contributions when received and is then recorded as recoveries to the extent operating expenses exceed revenues.

Funding for depreciable capital assets is recorded as deferred government contributions and is recognized as a recovery in the statements of operations equal to the depreciation charged on the related capital assets.

Funding for acquisition of non-depreciable capital assets, such as land, is recorded as contributed surplus.

Revenue recognition

Revenue from events at BC Place and the Vancouver Convention & Exhibition Centre is recognized on the completion of the events. Amounts received in advance of event completion are recorded as unearned revenue.

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.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from the amounts estimated.

Environmental expenses

Under the current legislation responsibility for site cleanup rests with the polluter. Environmental expenditures incurred as a result of the ongoing business activities of PavCo are expensed as appropriate.

Foreign currency transactions

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.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

Impairment of long-lived assets

PavCo reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting standard CICA Handbook Section 3063 "Impairment of Long-Lived Assets". An impairment loss is recognized when the carrying amount of an asset that is held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

Related parties

PavCo 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, predominantly under prevailing trade terms.

New accounting policies

Effective April 1, 2007 PavCo adopted two new accounting standards, CICA Handbook Section 1530 "Comprehensive Income" and Section 3855 "Financial Instruments - Recognition and Measurement". These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

Comprehensive income

Section 1530 requires the presentation of comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholder's equity and includes items such as unrealized gains and losses on financial assets classified as available for sale.

Financial Instruments – recognition and measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets and financial liabilities including derivatives are measured in the balance sheet at fair value, except for loans and receivables, and other financial liabilities, which are measured at amortized cost.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

PavCo has designated its financial instruments as follows:

Cash is classified as financial assets held for trading. Due to its nature, the carrying value equals its fair value. Investments are classified as held for trading and are carried at fair value with the changes in fair value recorded in revenues from operations. Gains and losses realized on the disposal of held for trading securities, along with interest are recorded in revenues from operations. Accounts receivable are measured at amortized cost.

Accounts payable are also recorded at amortized cost.

It is management's opinion that PavCo is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Short-term investments

Short-term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. The investments are held in Canadian Money Market funds and are receivable on demand. The units are carried at fair value as of the statement date. Income attributed to the units represents the unit holder's share of the interest earned by the Portfolio and may be realized upon the sale of the units.

3. Subsequent events

On April 1, 2008 B.C. Pavilion Corporation (PavCo) amalgamated with Vancouver Convention Centre Expansion Project Ltd. (VCCEP), to form a new corporation. The newly formed corporation under the *British Columbia Business Corporations Act* is named B.C. Pavilion Corporation.

PavCo, VCCEP and B.C. Pavilion Corporation are all related by virtue of common ownership and control. All assets, liabilities and equities were transferred to the new B.C. Pavilion Corporation at the carrying values on April 1, 2008.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

Based on the March 31, 2008 audited numbers for PavCo and VCCEP the balance sheet of the amalgamated corporation will be as follows:

	<u>VCCEP</u>	<u>PavCo</u>	<u>Combined</u>
Current assets	94,890	43,221	138,111
Capital assets	526,966	51,684	578,650
Liabilities	54,946	10,508	65,454
Deferred contributions	293,302	26,669	319,971
Contributed surplus	272,500	31,131	303,631
Retained earnings	1,108	26,597	27,705

4. Cash and cash equivalents

PavCo considers deposits in banks and investments with original maturities of three months or less as cash and cash equivalents.

Fair value	<u>2008</u>	<u>2007</u>
Cash	757	3,230
Investments	38,945	5,306
	<u>39,702</u>	<u>8,536</u>
Book value of investments		
Cash	757	3,230
Investments	38,831	5,302
	<u>39,588</u>	<u>8,532</u>

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

5. Discontinued operations

On May 30, 2007 the assets associated with the operations known as Bridge Studios were sold for \$40.1 million. The sale of Bridge Studios will result in a reduction of revenues, expenses and net income for PavCo.

Comparative financial results for Bridge Studios are:

Year Ended March 31	2008	2007
Revenues from operations	812	4,764
Direct costs	60	383
	752	4,381
Facility expenses		
Staffing	68	359
Operating	120	999
General and administration	64	325
Business development	7	41
Fees	4	59
Depreciation	98	594
	361	2,377
Net income	391	2,004

6. Capital assets

Capital assets by facility	2008			2007
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
BC Place	100,561	50,707	49,854	51,103
Vancouver Convention & Exhibition Centre	8,498	6,695	1,803	1,657
Corporate Office	76	49	27	42
	109,135	57,451	51,684	52,802

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2008
(tabular amounts in \$000s)

6. Capital assets (continued)

Capital assets by type	2008			2007
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land (BC Place)	29,818	-	29,818	29,818
Buildings & Improvements	56,249	39,890	16,359	17,454
Equipment	19,979	14,967	5,012	4,926
Computer Equipment	1,714	1,326	388	471
Furniture	1,375	1,268	107	133
	109,135	57,451	51,684	52,802

Management performed an impairment test using the undiscounted future cash flows for the operations of BC Place, which indicated that the net book value exceeded the current and future projected cash flows from operations of the facility at March 31, 2005. The recoverable amount of the capital asset was written down to its estimated fair value, resulting in an impairment charge of \$75 million during fiscal 2005.

PavCo has a lease agreement with Canada Place Corporation relating to Vancouver Convention & Exhibition Centre. The lease is for a 20-year term, at nominal annual rent, and PavCo is responsible for all operating costs. As the lease term represents the full economic life of the asset it is included in the capital assets of the Corporation.

7. Long-term debt

	2008	2007
British Columbia Transportation Financing Authority	243	343
Less: Current portion	75	75
	168	268

The long-term non interest bearing debt is repayable over a ten year term to 2011. The minimum amount payable each year is \$75 thousand.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

8. Deferred government contributions

	2008	2007
Balance, beginning of year	29,929	28,795
Contributions received from the Province of British Columbia during the year	289	5,010
	30,218	33,805
Allocations during the year		
Operations	(289)	(387)
Offset to depreciation	(3,260)	(3,489)
Balance, end of year	26,669	29,929

9. Share capital

PavCo has authorized capital of 10,000 common shares without par value of which one share is issued and outstanding. The Minister of Tourism, Sport and the Arts holds the share issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

10. Revenue from operations by business segment

Year Ended March 31	2008	2007
Vancouver Convention & Exhibition Centre	18,122	19,106
BC Place	13,298	13,054
Corporate Office ⁽¹⁾	1,754	287
	33,174	32,447

⁽¹⁾ Corporate Office revenues

	2008	2007
Accumulated unrealized gain on investments April 1, 2007	-	-
Transitional adjustment	4	-
Unrealized gain on investments at April 1, 2007 restated	4	-
Unrealized gain on available-for-trade investments	110	-
Accumulated unrealized investment income	114	-
Realized interest income on cash and investments	1,640	287
Total Corporate Office revenue	1,754	287

Effective April 1, 2007, PavCo adopted a new accounting standard (Note 2), CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement".

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements. In accordance with transitional rules resulting from this change in accounting policy, a one-time transitional adjustment of \$4 thousand has been applied to the opening balance of accumulated unrealized gain on investments to account for the difference between the carrying value and fair market value of investments as at April 1, 2007.

11. Change in non-cash operating working capital

	<u>2008</u>	<u>2007</u>
Receivables	(242)	97
Due from Province of British Columbia	-	2,277
Prepays	(524)	54
Assets held for sale	5,525	526
Trade payables and accrued liabilities	(920)	2,319
	<u>3,839</u>	<u>5,273</u>

12. Intangible rights

PavCo has had interests in two properties that have been sold or transferred to third parties. Under the terms of the transfer agreements, PavCo could have rights to further income or property at some future date if these or other adjacent properties are developed or sold.

The first relates to a parcel of land adjacent to BC Place that was transferred to a developer for future exchange for another piece of land of approximate size. If the adjacent land is sub-divided or developed, then PavCo will receive the land exchange, otherwise, PavCo will receive cash compensation of approximately \$150 thousand.

The second relates to a parcel of land in Surrey, British Columbia, that, if the land were to be sold or redeveloped before March 2016, then PavCo would receive three fifths of the sales proceeds of the land over \$1.1 million. No estimate is available of the current value of the land or of the intention of the owner to dispose of it at this time.

13. Environmental costs

PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that may exist at its facilities. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to PavCo.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

14. Related party transactions

PavCo has the following related party transactions during the year, all of which were considered to be in the normal course of operations, and recorded at the exchange amount:

	<u>2008</u>	<u>2007</u>
Capital and operating funding	-	5,000
Signing bonus	289	10
Revenues from operations	417	488
Amounts included in accounts receivable	28	2
Payments for office and professional services	1,665	1,819
Amounts included in accounts payable and accrued liabilities	-	47
Repayment of long-term debt	100	100

15. Employee benefits plan

PavCo 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 determined that an increase in contribution rates of 1.88% each, for plan members and employers, was 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 therefore increased contributions effective April 1, 2006.

Contributions to the Plan by PavCo for fiscal 2008 were \$580 thousand (2007 - \$586 thousand).

16. BC Place redevelopment

During the year \$2.074 million was spent on investigative costs for replacement of the roof of BC Place, upgrades to the facility and the comprehensive redevelopment of its lands. Subsequent to year-end, a further \$2.239 million was committed on revitalization and feasibility studies for BC Place.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

17. Comparative numbers

Certain comparative numbers have been restated to conform to the financial statement presentation used in the current year.