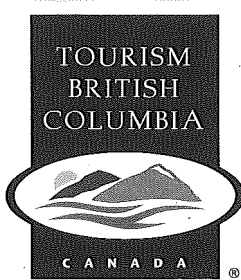


**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2008**



Management's Report

The financial statements of Tourism British Columbia for the year ended March 31, 2008 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, 2008, 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.

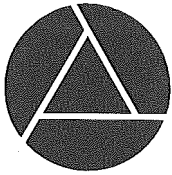
The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.

Rod J. Harris
President and Chief Executive Officer
Tourism British Columbia

Len Dawes, CA
Chief Financial Officer
Tourism British Columbia

May 16, 2008





Report 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, 2008 and the statements of operations, comprehensive income 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 the *Tourism British Columbia* as at March 31, 2008 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 16, 2008*


John Doyle, MBA, CA
Auditor General

TOURISM BRITISH COLUMBIA Statement of Financial Position

(in \$000s) March 31,	2008	2007
Assets		
Current assets		
Cash (Note 15)	15,401	23,220
Receivables		
Province of British Columbia	4,229	2,657
Program	1,316	993
Inventories	71	106
Prepaid	383	244
	21,400	27,220
Loans receivable (Note 5)	193	178
Intangible asset (Note 7)	244	275
Property, plant and equipment (Note 6)	7,564	6,465
	29,401	34,138
	29,401	34,138
 Liabilities and equity		
Current liabilities		
Payables and accruals		
Program	13,436	15,568
Province of British Columbia	712	385
Current portion of long term liabilities (Note 8)	297	228
Deferred revenue	2,122	2,619
Deferred contributions (Note 11)	93	76
	16,660	18,876
Long term liabilities (Note 8)	479	448
	17,139	19,324
Equity		
Net assets	3,053	5,557
Contributed surplus (Note 14)	7,949	7,997
Accumulated other comprehensive income (Note 10)	1,260	1,260
	12,262	14,814
	29,401	34,138

Commitments (Note 9)

Approved on behalf of the Board:



 Board Chair



 Audit Committee Chair

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

TOURISM BRITISH COLUMBIA
Statement of Operations, Comprehensive Income and Net Assets

(in \$000s)

For the year ending March 31,

2008

2007

Revenue

Hotel room tax	32,030	29,950
Grants and contributions (Note 13)	20,043	20,722
Program revenue (Note 3)	8,057	8,043
Investment and miscellaneous income	947	894
	<u>61,077</u>	<u>59,609</u>

Expenses

Marketing	32,187	29,360
Visitor services	14,278	14,339
Business development	7,949	7,310
Support services	4,732	4,689
Amortization	1,435	3,401
Government directed payment (Note 16)	3,000	-
	<u>63,581</u>	<u>59,099</u>

Net (loss) earnings, being comprehensive income

(2,504) 510

Net assets, beginning of year

5,557 5,047

Net assets, end of period

3,053 5,557

The accompanying notes are an integral part of these financial statements

TOURISM BRITISH COLUMBIA Statement of Cash Flows

(in \$000s) Year ended March 31,	2008	2007
Operating activities		
Net (decrease) increase in cash	(2,504)	510
Change in working capital		
Receivables	(1,894)	(49)
Inventories	35	(5)
Prepaid expenses	(139)	1,824
Loans receivable	(15)	(68)
Payables and accruals	(1,735)	1,393
Deferred revenue	(497)	(45)
Deferred contributions	17	(258)
	(4,228)	2,792
Items not involving cash		
Amortization expense	1,435	3,401
Amortization of contributed surplus	(48)	(3)
Cash flows (used in) provided by operating activities	(5,345)	6,700
Investing activities		
Additions to capital assets, net	(2,470)	(4,246)
Additions to intangible assets, net	(35)	(48)
Cash flows (used in) provided by investing activities	(2,505)	(4,294)
Financing activities		
Deferred capital contributions	-	5,800
Long term liabilities	31	(484)
Cash flows (used in) provided by financing activities	31	5,316
Net (decrease) increase in cash	(7,819)	7,722
Cash beginning of year	23,220	15,498
Cash end of period	15,401	23,220

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

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(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 on a straight-line basis over their estimated useful life of 10 years.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, with cost being determined on a first in first out basis. 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, 2008
(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 & websites	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.

(i) Future Accounting Pronouncements

The following summarizes the future accounting changes that will be relevant to the Corporation's consolidated financial statements subsequent to March 31, 2008. These standards are effective for fiscal years beginning on or after October 1, 2007 and the Corporation is currently considering the additional disclosures, if any, required in future financial statements.

Capital Disclosures

The Canadian Institute of Chartered Accountants (CICA) has issued a new accounting standard: Section 1535 Capital Disclosures, which requires disclosure of information about an entity's capital and the objectives, policies, and processes for managing capital.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(tabular amounts in \$000s)

Financial Instruments – Disclosure

The CICA has issued two new accounting standards on financial instruments: Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation, that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The standards are effective for fiscal years beginning on or after October 1, 2007. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how it manages those risks.

(j) Changes in Accounting Policies

Effective April 1, 2007, the Corporation adopted two new accounting standards that were issued by the CICA: 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.

Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities. This classification will determine how a financial instrument is valued

The Corporation had the following financial assets and liabilities and has selected the following classifications:

	Classification	Initial	Subsequent
Financial Assets			
Cash	Held for trading	Fair value	Fair value
Accounts receivable	Loans and receivables	Fair value	Amortized cost
Loans receivable	Loans and receivables	Fair value	Amortized cost
Financial liabilities:			
Accounts payable and accrued	Other financial liabilities	Fair value	Amortized cost
Long term liabilities (excluding leave/future liability)	Other financial liabilities	Fair value	Amortized cost

The Corporation has assessed the impact that these Handbook Sections have on the 2008 financial statements and has determined that the Corporation's financial assets and liabilities fall into the categories of held-for-trading, available-for-sale, loans and receivables and other financial liabilities. These instruments are measured at their fair value or amortized cost. As a result of the assessment, the Corporation has no changes to comprehensive income that affect the current financial statements.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(tabular amounts in \$000s)

3. Program revenue	<u>2008</u>	<u>2007</u>
BC Magazine	2,545	2,409
Commission and sign up fees	2,630	2,717
Listing fees	1,376	1,382
Display ads	691	689
SuperHost	291	319
Merchandise sales and royalties	312	274
Quality assurance program	164	190
Miscellaneous	48	63
	<u>8,057</u>	<u>8,043</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.

5. Loans receivable

	<u>2008</u>	<u>2007</u>
Adventure Management Ltd. - Coquihalla Visitor Centre	50	50
Adventure Management Ltd. - Mt Robson Visitor Centre	60	60
Kicking Horse Mountain Resort Ltd - Golden Visitor Centre	42	42
Destination Osoyoos Development Society - Osoyoos Visitor Centre	26	26
Marquise Facilities Corp. - YVR Visitor Centre	15	-
	<u>193</u>	<u>178</u>

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.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(tabular amounts in \$000s)

6. Property, plant and equipment

	2008			2007
	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	752	-	752	188
Reservation System (VANOC)	532	-	532	139
Korea website	53	-	53	-
Merritt Visitor Centre	38	-	38	24
Financial system upgrade	11	-	11	-
	<u>1,386</u>	<u>-</u>	<u>1,386</u>	<u>351</u>
Destination management system	5,808	4,819	989	1,219
Consumer websites	3,144	2,152	992	699
Osoyoos Visitor Centre	1,942	51	1,891	1,738
Computer equipment	1,536	1,481	55	70
Furniture and equipment	1,034	771	263	281
Leasehold improvements	888	600	288	330
Trail improvements	553	145	408	466
Vehicles	87	55	32	51
	<u>14,992</u>	<u>10,074</u>	<u>4,918</u>	<u>4,854</u>
	<u>17,638</u>	<u>10,074</u>	<u>7,564</u>	<u>6,465</u>

7. Intangible assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Registered trademarks	<u>531</u>	<u>287</u>	<u>244</u>	<u>275</u>

8. Long term liabilities

	Employee leave liability	Employee future benefits	Holdback for contracts	2008	2007
Total long term liabilities	422	304	50	776	676
Less current portion	(273)	(24)	-	(297)	(228)
Net long term liabilities	<u>149</u>	<u>280</u>	<u>50</u>	<u>479</u>	<u>448</u>

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(tabular amounts in \$000s)

9. Commitments

The future remaining commitments are:	08/09	09/10	10/11	Beyond	Total
Contractual obligations	30,081	14,467	9,671	8,357	62,576
Office lease commitments	1,426	1,397	1,252	3,512	7,587
	<u>31,507</u>	<u>15,864</u>	<u>10,923</u>	<u>11,869</u>	<u>70,163</u>

Tourism British Columbia has many contractual obligations, all of which contain a termination clause.

10. Accumulated Other Comprehensive Income

	2008	2007
Accumulated other comprehensive income - opening	1,260	-
Restatement adjustment from Contributed Land	-	1,260
Accumulated other comprehensive income - current period	-	-
Accumulated other comprehensive income - closing	<u>1,260</u>	<u>1,260</u>

Effective April 1, 2007, Tourism British Columbia adopted a new accounting standard that was issued by the Canadian Institute of Chartered Accountants ('CICA'): Comprehensive Income ('Section 1530').

This accounting policy change is adopted on a prospective basis with the exception of donated assets which are restated. As a result, other comprehensive income has been restated for the donated land received in 2004.

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 \$93,000 (2006/07: \$76,000) as a deferred contribution, pending completion of the trail improvements.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008
(tabular amounts in \$000s)

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) determined that the Plan had 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 increase in rates was introduced effective April 1, 2006.

The total amount paid into this pension plan by Tourism British Columbia for the 2007/08 fiscal year was \$759,188 (2006/07: \$661,897).

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, 2008 was \$279,915 (2006/07: \$260,578).

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 2007/08 fiscal year was \$10,752 (2006/07: \$5,568).

13. Provincial operating grants and contributions

	<u>2008</u>	<u>2007</u>
Grants		
Ministry of Tourism, Sport and the Arts	19,855	20,050
Contributions		
Ministry of Transportation	81	59
Ministry of Tourism, Sport and the Arts	78	3
Ministry of Economic Development	29	-
Ministry of Finance	-	308
Union of BC Municipalities	-	302
	<u>188</u>	<u>672</u>
	<u>20,043</u>	<u>20,722</u>

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2008

(tabular amounts in \$000s)

The grant from the Ministry of Tourism, Sport and the Arts is provided to supplement Tourism British Columbia's share of the Hotel Tax; \$250,000 was deferred from 2006-07 and a further \$30,000 contribution was made in Fiscal 2007/08 for a tourism research project, of which \$5,000 has been deferred; an additional contribution of \$47,940 is recognized per Note 14 below. The Ministry of Economic Development contributed \$65,000 in fiscal 2007/08 for various 2010 Olympics initiatives; \$35,697 has been deferred. A Ministry of Transportation contribution of \$317,000 was received in fiscal 05/06 for Visitor Centre signage; \$59,000 was spent in previous years, \$81,000 was spent in the current year and the balance of \$177,000 has been deferred.

14. Contributed surplus

Tourism British Columbia received \$8.0 million from the Ministry of Tourism, Sport and the Arts for the construction of new Visitor Centres at Merritt, Peace Arch and Osoyoos. These funds have been recorded as contributed surplus and are being recognized as revenue over the estimated life of the buildings. Amortized revenue for the period was \$47,940.

15. Cash

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

	<u>2008</u>	<u>2007</u>
Unrestricted cash	10,040	16,965
Restricted cash		
Merritt Visitor Center	2,962	2,976
Peace Arch Visitor Center	2,248	2,812
Rails to Trails	93	78
Osoyoos Visitor Center	58	389
Cash for restricted purposes	<u>5,361</u>	<u>6,255</u>
	<u>15,401</u>	<u>23,220</u>

16. Government directed payment

Tourism British Columbia was directed by the Provincial Government to pay \$3.0 million towards the construction and operation of BC House for the 2008 Summer Olympic Games being held in Beijing, China.

17. Comparative figures

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