

Audited Financial Statements

March 31, 2016

B.C. Pavilion Corporation

Statement of Management Responsibility

The financial statements of the B.C. Pavilion Corporation have been prepared by management in accordance with Canadian public sector accounting standards and provincial reporting legislation, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Systems of internal control are developed and maintained by management to provide reasonable assurance that reliable information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The B.C. Pavilion Corporation Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board and its Finance and Audit Committee. The Board reviews internal financial statements at each meeting and external audited financial statements annually. Significant financial reporting or internal control matters are discussed by the Board and its Audit and Finance Committee prior to their approval of the corporation's financial statements.

The Auditor General of British Columbia conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the B.C. Pavilion Corporation financial statements. The auditors have full and free access to financial management of B.C. Pavilion Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements for B.C. Pavilion Corporation.

Stuart McLaughlin
Chair – Board of Directors



Rehana Din
Chief Financial Officer



Vancouver, British Columbia
June 7, 2015



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of B.C. Pavilion Corporation, and
To the Minister of Transportation and Infrastructure, Province of British Columbia*

I have audited the accompanying financial statements of the B.C. Pavilion Corporation, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and change accumulated surplus, statement of change in net financial assets (debt) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2 to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related

expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred contributions of \$948.3 million, an understatement of accumulated surplus of \$975.6 million, and a current year overstatement of revenue of \$27.3 million. Accordingly, the current year operating deficit is understated by \$27.3 million and net debt is overstated by \$948.3 million.

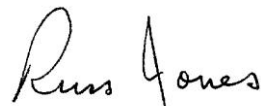
Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the B.C. Pavilion Corporation as at March 31, 2016, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Without modifying my opinion, I advise that I issued an unmodified audit opinion dated June 4, 2015 on the financial statements of B.C. Pavilion Corporation as at March 31, 2015, in which I reported on compliance with Section 23.1 of the *Budget Transparency and Accountability Act*. As such, the comparative financial information was not audited for fair presentation in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia
June 21, 2016



Russ Jones, FCPA, FCA
Deputy Auditor General



B.C. Pavilion Corporation
Statement of Financial Position
(in \$000s)

	<i>Note</i>	March 31 2016	March 31 2015
Financial Assets			
Cash and cash equivalents	5	19,653	20,329
Accounts receivable	6	34,284	30,583
		<u>53,937</u>	<u>50,912</u>
Liabilities			
Accounts payable and accrued liabilities	8	16,757	19,192
Due to governments	7	9,456	9,477
Employee leave liability	9	864	754
Deferred revenue	10	43,281	44,608
Deferred contributions – other	11	13,000	14,138
Deferred contributions – government	12	935,313	961,473
Long term debt	13	145,648	147,452
		<u>1,164,319</u>	<u>1,197,094</u>
Net financial debt		<u>(1,110,382)</u>	<u>(1,146,182)</u>
Non-financial assets			
Tangible capital assets	14,22	1,176,676	1,215,608
Inventories held for use		114	59
Prepaid expenses		505	1,593
		<u>1,177,295</u>	<u>1,217,260</u>
Accumulated surplus		<u>66,913</u>	<u>71,078</u>
Contingencies and contractual obligations	15		

Stuart McLaughlin
Chair – Board of Directors



Don Zurowski
Chair - Governance, Finance, and Audit Committee



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

B.C. Pavilion Corporation
Statement of Operations and Change in Accumulated Surplus
(in \$000s)

	<i>Note</i>	March 31, 2016		March 31 2015
		Budget	Actual	Actual
		<i>(Note 19)</i>		
Revenues	22			
Event revenues		57,691	67,360	55,239
Lease revenues		3,348	3,529	3,616
Miscellaneous revenues		2,940	3,830	4,185
Deferred contributions – other		1,606	1,638	1,602
Deferred contributions - government		47,136	45,182	46,333
Interest revenue		15	135	170
		112,736	121,674	111,145
Expenses	16,22			
BC Place Stadium		57,910	57,466	53,934
Vancouver Convention Centre		67,341	68,373	65,920
		125,251	125,839	119,894
Annual operating deficit		(12,515)	(4,165)	(8,749)
Accumulated surplus, beginning of year		71,078	71,078	79,827
Accumulated surplus, end of year		58,563	66,913	71,078

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

B.C. Pavilion Corporation
Statement of Change in Net Financial Assets (Debt)
(in \$000s)

	March 31, 2016		March 31 2015
	Budget	Actual	Actual
	<i>(Note 19)</i>		
Annual operating surplus (deficit)	(12,515)	(4,165)	(8,749)
Acquisition of tangible capital assets	(10,035)	(5,156)	(1,508)
Amortization of tangible capital assets	44,340	44,088	45,669
	21,790	34,767	35,412
Acquisition of prepaid expense	-	(3,123)	(3,065)
Use of prepaid expense	-	4,211	3,113
	-	1,088	48
Acquisition of inventory for use	-	(211)	-
Use of inventory	-	156	-
	-	(55)	-
Decrease in net financial debt	21,790	35,800	35,460
Net financial debt – beginning of year		(1,146,182)	(1,181,642)
Net financial debt – end of year		(1,110,382)	(1,146,182)

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

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

	March 31 2016	March 31 2015
Operating transactions		
Surplus (Deficit) for the year	(4,165)	(8,749)
<i>Non-cash items included in surplus (deficit):</i>		
Amortization of tangible capital assets	44,088	45,669
Amortization of deferred contributions – other	(1,638)	(1,602)
Amortization of deferred contributions – government	(45,182)	(46,333)
Accounts receivable	(3,701)	(2,863)
Due to government	(21)	118
Accounts payable and accrued liabilities	(2,435)	5,091
Employee leave liability	110	91
Deferred revenue	(1,327)	2,480
Inventories held for use	(55)	-
Prepaid expenses	1,088	48
<i>Cash used in operations</i>	<u>(13,238)</u>	<u>(6,050)</u>
Capital transactions		
Purchase of tangible capital assets	(5,156)	(1,508)
<i>Cash used in capital transactions</i>	<u>(5,156)</u>	<u>(1,508)</u>
Financing transactions		
Deferred contributions – other	500	-
Deferred contributions – government	19,022	8,992
Long term debt	(1,804)	(1,719)
<i>Cash provided for in financing transactions</i>	<u>17,718</u>	<u>7,273</u>
(Decrease)/increase in cash and cash equivalents	(676)	(285)
Cash and cash equivalents – beginning of year	20,329	20,614
Cash and cash equivalents – end of year	<u>19,653</u>	<u>20,329</u>
Cash and cash equivalents are made up of:		
Cash	16,893	14,729
Cash equivalents	2,760	5,600
	<u>19,653</u>	<u>20,329</u>

Interest received during the year was \$.135 million (2015: \$.170 million). Interest expensed during the year was \$6.195 million (2015: \$7.255 million). Interest received is made up of interest income from the Statement of Operations. Interest paid during the year is made up of interest expense from the Statement of Operations plus the decrease in accrued interest payable in the amount of \$1.016 million (2015: \$.042 million)

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

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

1. Authority and Nature of Operations

B.C. Pavilion Corporation (PavCo) was formed on April 1, 2008 under the *British Columbia Business Corporations Act*, following the amalgamation of the former B.C. Pavilion Corporation and Vancouver Convention Centre Expansion Project Ltd. (VCCEP). PavCo is wholly owned by the Province of British Columbia, and reports to the Legislative Assembly through the Minister of Transportation and Infrastructure. As a provincial crown agency, PavCo is subject to legislative regulations in government reporting Acts which include the *Budget Transparency and Accountability Act* and the *Financial Administration Act*.

PavCo's mandate is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. PavCo achieves this by developing, marketing and operating iconic world class public convention, sports and entertainment facilities. The corporation owns and operates BC Place Stadium and the Vancouver Convention Centre's west facility. The Corporation operates the Vancouver Convention Centre's east facility under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to accounting for government transfers and externally restricted contributions. Significant accounting policies used in the preparation of these financial statements are:

Financial assets

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts and loans receivable are recorded at cost less the amount of any valuation allowance (bad debt allowance). Valuation allowances are made when collection is in doubt. Changes in valuation allowances are recognized as expenses in the period when the valuation change is made. Interest is only accrued on receivables when collection is certain.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Asset costs (excluding land), less any residual value, are amortized over their estimated useful lives to PavCo as follows:

Building and improvements	10 to 50 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement or the term of the lease, straight line
Equipment and other capital assets	1 to 10 years, straight line
Furniture	3 to 20 years, straight line
Vehicles	30% per annum, declining balance
Computer hardware and software	3 to 5 years, straight line

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

2. Significant Accounting Policies (cont.)

Assets under construction are recorded at cost and include direct costs during development and construction, indirect costs that are directly attributable to the construction or development activity and other carrying costs. When construction is substantially complete or the asset is ready for use, it is subsequently amortized over its estimated useful life.

The corporation has entered into agreements where value-in-kind (VIK) is provided. VIK is recognized at fair value and when the goods would otherwise have been purchased (including any applicable taxes). The VIK provided by these agreements is included in its applicable tangible capital asset class.

Contributed tangible capital assets are recorded at fair value as of the date of contribution. When fair value of a contributed asset cannot be determined by market or appraisal estimates, the asset is recorded at nominal value.

PavCo reviews the value of its tangible capital assets that are in active service for impairment based on their service potential. Assets are written down when conditions indicate that they no longer contribute to PavCo's ability to provide goods and services.

PavCo does not report the cost of its artwork and theming program in the Statement of Financial Position as artwork is not recognized under public sector accounting standards. All costs associated with developing, constructing, acquiring, installing and securing these assets are expensed when incurred.

Inventories

Inventories consist of minor consumable supplies held for use in the course of operations at PavCo's facilities and are recognized at historical cost.

Prepaid expenses

Prepaid expenses include cash disbursements for facility insurance and future event and operational costs, which will be charged to expense over the periods expected to benefit from it.

Revenue recognition

Revenues from events held at PavCo's facilities are recognized upon completion of the events. Amounts received in advance of event completion are recorded as deferred revenue.

Non-event related revenues are recognized on an accrual basis and in the period in which the transactions or events that gave rise to the revenues occurred.

Revenues received in advance from lease and business alliance agreements, and expenses incurred to generate them, are deferred and amortized on a straight line basis over the term specified in the agreements.

Revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is recognized at fair market value. Unearned revenue is deferred and amortized over the term of the services contract.

Operating contributions are recognized as income in the period for which they are contributed. Funding received for other specific purposes is treated as deferred contributions and recognized in the period that the stipulation or restriction is met.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

2. Significant Accounting Policies (cont.)

Capital Contributions

The value of contributed depreciable tangible capital assets or funding received from government or other external sources for the purpose of acquiring or developing tangible capital assets for use in providing services, is treated as deferred contributions. These contributions are amortized to revenue in the period during which the assets are used to provide services, at the same amortization rate as the related tangible capital assets. If the net book value of a depreciable tangible capital asset funded by a deferred contribution is reduced for any reason other than amortization, the proportionate share of the deferred contribution is recognized to revenue during the same period. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers or externally restricted contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer or externally restricted contribution contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished.

Funding received for the acquisition of land or a transfer in the form of land, is recognized as revenue in the same period that the asset is acquired.

Expenses

The cost of all goods consumed and services received during the fiscal year, not related to assets, is expensed. Expenses are reported on an accrual basis.

Direct costs from events held at the facilities are recognized upon completion of the events. Amounts incurred in advance of event completion are recorded as prepaid expense.

Environmental costs are recorded when a determination of liability is made and the related costs can be reasonably estimated.

Foreign currency transactions

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect on the transaction date. Any foreign currency denominated monetary assets and liabilities are stated in the Statement of Financial Position using the prevailing rate of exchange at the financial statement date.

Financial Instruments - Recognition and Measurement

All financial assets and financial liabilities are measured in the statement of financial position on a fair value basis, as follows:

- Cash is recorded at fair value.
- All other financial instruments are recorded at cost which approximates fair value.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

2. Significant Accounting Policies (cont.)

Employee pension plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

The Public Service Pension (Plan) is a multi-employer, defined benefit plan with over 115,000 active and retired members. 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.

An actuarial valuation of the plan every three years assesses its financial position. The most recent published actuarial valuation, as at March 31, 2014, disclosed an overall actuarial surplus of \$194 million for basic pension benefits, for the entire Public Service Pension Plan. The surplus means the plan's assets are sufficient to pay the current and future basic pensions of all members.

Contributions to the Plan by PavCo for fiscal 2016 were \$1.3 million (2015 - \$1.2 million).

3. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting 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.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

Management has made estimates for valuation allowances on receivables, accrued liabilities and on the expected timing of future expenditures related to construction commitments (Note 15). Management has also estimated the useful life of capital assets (Note 2).

4. Government Partnership

PavCo has entered into an agreement with the Greater Vancouver Convention and Visitors Bureau and the Vancouver Hotel Destination Association to create the Convention Development Fund (CDF) to provide incentives to convention groups in order to attract and secure convention business which is mutually beneficial to the parties. PavCo's contribution to the CDF constitutes an investment in a Government Partnership under the definition of PS 3060. PavCo's obligation in the partnership is limited to the amount of PavCo's contributions.

Included in the corporation's financial statements is PavCo's proportionate interest in the partnership, based on its contributions to the CDF (2016 – 8.3%; 2015 – 8.4%):

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

4. Government Partnership (cont.)

Statement of Financial Position	March 31 2016	March 31 2015
Cash	566	684
Accumulated surplus	566	684

Statement of Operations	March 31 2016	March 31 2015
Revenue	6	6
Expense	124	23

PavCo also has a proportionate interest in the future commitments of the CDF. The corporation's current share of these commitments, to be funded by the CDF, as of March 31, 2016 is:

Fiscal 2017	60
Fiscal 2018	62
Fiscal 2019	69
Fiscal 2020	55
Fiscal 2021 and beyond	116

5. Cash and Cash Equivalents

	March 31 2016	March 31 2015
Unrestricted cash	16,327	14,045
Restricted cash	2,760	5,600
Investment in Convention Development Fund	566	684
	19,653	20,329

Restricted cash consists of a refundable deposit to secure a letter of credit that PavCo issued on behalf of the depositor. A liability for the amount of the deposit is recorded in accounts payable and accrued liabilities.

6. Accounts Receivable

	March 31 2016	March 31 2015
Trade	8,308	4,604
Other receivables	26,084	26,084
	34,392	30,688
Less: provision for doubtful accounts	(108)	(105)
	34,284	30,583

Other receivables consist of amounts receivable resulting from third parties with respect to development rights to the west of B.C. Place (\$22,662) and a water lot lease at the Vancouver Convention Centre (\$3,422). These receivables are due in fiscal 2017 and fiscal 2036 respectively.

B.C. Pavilion Corporation**Notes to the Financial Statements****For the year ended March 31, 2016 (tabular amounts in \$000s)****7. Due to Governments**

	March 31 2016	March 31 2015
Due to federal government	26	95
Due to provincial government	9,430	9,382
	9,456	9,477

8. Accounts Payable and Accrued Liabilities

	March 31 2016	March 31 2015
Trade accounts payable and accrued liabilities	13,893	15,322
Accrued interest on long term debt	2,589	3,605
Builder's lien holdbacks	275	265
	16,757	19,192

9. Employee Leave Liability

Employee leave liability represents the accumulated vacation entitlement that PavCo owes its employees for vacation not yet taken.

10. Deferred Revenue

	March 31 2016	March 31 2015
Unearned lease revenues	33,846	36,202
Unearned event revenue and deposits	9,435	8,406
	43,281	44,608

Unearned lease revenue represents funds received in advance from lease and business alliance agreements, and are recognized in accordance to the terms specified in those agreements. The terms of the business alliance agreements range from 10 years to 50 years.

Event revenues and deposits are receipts in advance of scheduled event dates and are deferred until completion of the event.

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

11. Deferred Contributions – Other

	Balance April 1 2015	Receipts during year	Transferred to revenue	Balance March 31 2016
Other Contributions	14,138	500	(1,638)	13,000

	Balance April 1 2014	Receipts during year	Transferred to revenue	Balance March 31 2015
Other Contributions	15,740	-	(1,602)	14,138

Other deferred contributions include contributions, defined by their contractual stipulations, from non-related parties to fund major improvements to or the acquisition of capital assets. Included in other deferred contributions are value-in-kind contributions of tangible capital assets. Contributions are amortized to revenue in the period during which the related assets are used to provide those benefits, at the same rate corresponding to the amortization rate for the related tangible capital assets.

12. Deferred Contributions – Government

Government contributions are funding transfers which contain eligibility criteria and legislative or contractual stipulations with respect to their use. PavCo has received funding for asset acquisition and capital construction projects at PavCo's facilities as well as funding to support ongoing operations and for other specified purposes as follows:

	Balance April 1 2015	Receipts during year	Transferred to revenue	Balance March 31 2016
Government of Canada	197,291	-	(4,556)	192,735
Province of British Columbia	764,182	19,022	(40,626)	742,578
	961,473	19,022	(45,182)	935,313

	Balance April 1 2014	Receipts during year	Transferred to revenue	Balance March 31 2015
Government of Canada	201,847	-	(4,556)	197,291
Province of British Columbia	796,967	8,992	(41,777)	764,182
	998,814	8,992	(46,333)	961,473

Contributions from the Government of Canada is funding for the construction of the Vancouver Convention Centre's west facility and the connector between the east and west facility. Federal funding for the Vancouver Convention Centre's west facility includes the construction of the waste water treatment facility.

PavCo received contributions from its shareholder, the Province of British Columbia, for capital and operating purposes, segregated based on shareholder direction on the use of funds.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

12. Deferred Contributions – Government (cont.)

Government contributions for capital are amortized to revenue in the period during which the assets are used to provide those services, at a rate corresponding with the amortization rate for the related tangible capital assets. Other government contributions are recognized when their legislative or contractual stipulations are met.

13. Long-term Debt

	March 31 2016	March 31 2015
Province of British Columbia	145,648	147,452

In fiscal 2010, PavCo entered into a long-term loan agreement with the Province of British Columbia to provide financing for the construction of the retractable roof and refurbishment upgrades at BC Place Stadium. PavCo received the balance of the loan in fiscal 2011.

Under the terms of the loan agreement, the repayable loan was non-interest bearing during the construction and start-up period. Commencing April 2, 2013, PavCo began repaying the loan by providing semi-annual blended payments of principal and interest of \$4.5 million.

The parties negotiated a reduced interest rate from 4.89% to 3.29% effective November 1, 2015 until fiscal 2049. The current repayment schedule reflects loan payments by PavCo of \$7.5 million for fiscal 2017, \$7.3 million for fiscal years 2018 through 2048 and \$3.7 million for fiscal year 2049.

The loan is secured by the assets of BC Place Stadium and the Vancouver Convention Centre.

14. Tangible Capital Assets

	BC Place	Vancouver Convention Centre⁽¹⁾	March 31 2016	March 31 2015
Land	31,292	41,442	72,734	72,734
Buildings and improvements	431,988	612,586	1,044,574	1,076,154
Leasehold improvements	-	26,090	26,090	27,731
Equipment	14,971	2,430	17,401	21,868
Furniture and fixtures	15,468	147	15,615	17,026
Computer hardware/software	177	85	262	95
Total	493,896	682,780	1,176,676	1,215,608

(1) Includes corporate office assets

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

14. Tangible Capital Assets (cont.)

Included above as at March 31, 2016 is work-in-progress including expansion joint replacement and various other building and equipment categories.

	BC Place	Vancouver Convention Centre	March 31 2016	March 31 2015
Buildings and improvements	20	466	486	-
Equipment	10	71	81	-
Furniture and fixtures	-	1	1	-
Total	30	538	568	-

Artwork

PavCo holds a variety of art pieces at its facilities however it does not recognize the cost or value of artwork in its financial statements. All costs of developing, constructing, acquiring, installing and securing the pieces have been expensed. The corporation has title to most pieces in the program, and is responsible for the preservation and protection of all pieces.

The Vancouver Convention Centre's comprehensive art program, which was produced as part of the west facility expansion, includes various paintings, sculptures, First Nations pieces, and other items. The historical cost of these art pieces at March 31, 2016 is \$6.2 million (\$6.2 million at March 31, 2015).

As part of the BC Place revitalization project, PavCo developed and re-constructed Terry Fox plaza to showcase the new Terry Fox memorial sculptures. The historical cost for the Terry Fox memorial sculptures is \$0.6 million (\$0.6 million at March 31, 2015).

The corporation uses the historical cost value of the art pieces for insurance purposes, unless appraisal values are available.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

14. Tangible Capital Assets (cont.)

	Land	Buildings and improvements	Leasehold Improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware & software	2016
Cost:								
Opening balance	72,734	1,276,021	40,397	67,141	32,442	25	2,347	1,491,107
Additions	-	2,270	238	2,222	153	-	273	5,156
Disposals and adjustments	-	(134)	-	(2,698)	-	-	-	(2,832)
Closing balance	72,734	1,278,157	40,635	66,665	32,595	25	2,620	1,493,431
Accumulated amortization:								
Opening balance	-	(199,867)	(12,666)	(45,273)	(15,416)	(25)	(2,252)	(275,499)
Amortization expense	-	(33,850)	(1,879)	(6,687)	(1,564)	-	(106)	(44,086)
Effect of disposals and adjustments	-	134	-	2,696	-	-	-	2,830
Closing balance	-	(233,583)	(14,545)	(49,264)	(16,980)	(25)	(2,358)	(316,755)
Net book value	72,734	1,044,574	26,090	17,401	15,615	-	262	1,176,676

	Land	Buildings and improvements	Leasehold Improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware & software	2015
Cost:								
Opening balance	72,734	1,275,858	40,302	66,447	32,421	25	2,291	1,490,078
Additions	-	476	95	851	30	-	56	1,508
Disposals and adjustments	-	(313)	-	(157)	(9)	-	-	(479)
Closing balance	72,734	1,276,021	40,397	67,141	32,442	25	2,347	1,491,107
Accumulated amortization:								
Opening balance	-	(166,320)	(10,795)	(37,249)	(13,750)	(25)	(2,170)	(230,309)
Amortization expense	-	(33,860)	(1,871)	(8,181)	(1,675)	-	(82)	(45,669)
Effect of disposals and adjustments	-	313	-	157	9	-	-	479
Closing balance	-	(199,867)	(12,666)	(45,273)	(15,416)	(25)	(2,252)	(275,499)
Net book value	72,734	1,076,154	27,731	21,868	17,026	-	95	1,215,608

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

15. Contingencies and Contractual Obligations

Contingent liabilities

- a) PavCo remains liable for environmental and reclamation obligations for known hazards that may exist at its facilities and has recognized soil remediation costs in the Financial Statements. As at March 31, 2016 management is not aware of any additional existing environmental problems related to its facilities that may result in material liability to the corporation.
- b) The corporation is named in various legal actions resulting from operations at PavCo's facilities. No determination can be made on the eventual outcome or disposition of the legal actions. PavCo does not expect the outcome of any proceedings, individually or in the aggregate, to have a material impact on the corporation's financial position.

Contractual obligations

- a) Operating leases

The corporation is committed to payments under several operating leases and maintenance agreements, the longest of which extends to 2028. These represent total commitments as follows:

Fiscal 2017	2,756
Fiscal 2018	2,355
Fiscal 2018	1,735
Fiscal 2020	281
Fiscal 2021 and beyond	70

- b) Capital projects

At March 31, 2016, the Corporation has committed to future expenditures under contracts currently entered into with respect to remaining capital obligations as follows:

Fiscal 2016	602
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- c) Redevelopment

On November 29th, 2011 the City of Vancouver Council enacted zoning, as approved at Public Hearing on April 19, 2011, for certain lands on the west side of BC Place. The City of Vancouver acquired lands between Expo Boulevard and Pacific Boulevard for the construction of an extension to Smithe Street (Smithe Street Extension), and transferred its surplus lands between the Smithe Street Extension and BC Place to PavCo (including Terry Fox Way). Under the rezoning obligations, PavCo is required to provide 300 parking stalls for public hourly use in the first development on the lands.

PavCo also entered into an Updated Master Development Agreement with a third party to develop this land on the west side of BC Place. As part of this Agreement PavCo is obligated to bear the costs of remediation of soils beneath the Smithe Street Extension and the development lands, the costs of installation of City services under the Smithe Street Extension, and the construction of the Smithe Street Extension to its west curb line. The costs related to the remediation of soils have been recognized in the Financial Statements.

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

15. Contingencies and Contractual Obligations (cont.)

PavCo also entered into an Agreement with a First Nation concerning the development of this land on the west side of BC Place. This Agreement has no impact on the March 31, 2016 Financial Statements but will entail sharing of lease revenues for three years upon commencement of receiving lease revenues.

16. Expenses by Object

The following summarizes expenses by object:

	2016	2016	2015
	Budget	Actual	Actual
Event direct costs	32,097	36,948	30,037
Salaries, wages and benefits	17,580	16,620	15,745
Operating expenses	14,686	14,716	14,443
General and administration	3,993	3,954	3,695
Business development	1,323	929	984
Professional consulting fees	1,815	1,830	1,773
Interest on long term debt	7,167	6,195	7,255
Redevelopment	2,250	559	294
Amortization	44,340	44,088	45,669
	125,251	125,839	119,894

17. Related Party Transactions

PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. All transactions with these entities were in the normal course of operations and recorded at fair market value.

18. Valuation Allowance

Valuation allowances are included in 'General and administration' expenditures (Note 16), and represent the write-down of assets in the statement of financial position.

	BC Place	Vancouver Convention Centre	2016	2015
Accounts receivable	(25)	(83)	(108)	(105)

19. Budgeted Figures

Budgeted figures have been provided for comparison purposes and are derived from the estimates provided in the Corporation's 2015/16 Annual Service Plan report which was approved by PavCo's Board of Directors on January 23, 2015.

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2016 (tabular amounts in \$000s)

20. Comparative Numbers

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

21. Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, due from government, accounts payable and accrued liabilities, employee leave liability, and long term debt.

PavCo is exposed to various risks related to its financial instruments. It is management's opinion that the corporation is not exposed to significant market, liquidity or credit risk arising from these financial instruments.

PavCo's risk management objective when it invests in financial instruments is to ensure that any investments are in quality securities, so as to safely guard the assets of the shareholder, and enable the corporation to continue operations as a going concern.

Market Risk - Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect PavCo's income or the value of its financial instruments.

PavCo's exposure to currency risk is only related to the value of foreign exchange transactions in the normal course of business, and manages this risk by minimizing the amount of transactions in foreign funds.

PavCo is not subject to interest rate risk on its long term debt as a fixed rate is provided for in the loan agreement which eliminates fluctuations in the value of this financial instrument during the repayment period.

Liquidity Risk - Liquidity risk is the risk that PavCo will have difficulty in meeting its financial obligations when they come due.

PavCo manages liquidity risk by continually monitoring cash flows, and by maintaining the ability to borrow funds from its shareholder.

Credit Risk - Credit risk is the risk of financial loss to PavCo if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

PavCo's exposure to credit risk is only related to the value of accounts receivable in its normal course of business, and manages this risk by minimizing the amount of transactions which require recovery. The corporation continually monitors and manages the collection of receivables from other customers.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

22. Segmented Information

PavCo reports segmented information by its operating divisions: BC Place Stadium and the Vancouver Convention Centre. BC Place Stadium and the Vancouver Convention Centre, market, sell and manage space for conventions, trade and consumer shows, entertainment, sports and other events. Revenues, expenses and tangible capital assets by facility are provided in the following tables:

	<i>BC Place⁽¹⁾</i>		<i>Vancouver Convention Centre⁽¹⁾⁽²⁾</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
Revenues						
Event revenues	18,362	10,132	48,998	45,107	67,360	55,239
Lease revenues	36	36	3,493	3,580	3,529	3,616
Miscellaneous revenues ⁽³⁾	3,426	3,638	404	547	3,830	4,185
Deferred contributions – other	684	648	954	954	1,638	1,602
Deferred contributions - government	23,194	23,861	21,988	22,472	45,182	46,333
Interest revenue	92	90	43	80	135	170
	45,794	38,405	75,880	72,740	121,674	111,145
Expenses						
Event direct costs	9,952	5,430	26,996	24,606	36,948	30,036
Salaries, wages and benefits	7,482	7,138	9,138	8,607	16,620	15,745
Operating expenses	4,673	4,377	10,043	10,066	14,716	14,443
General and administration	1,825	1,640	2,129	2,055	3,954	3,695
Business development	319	391	610	593	929	984
Professional consulting fees	1,124	1,008	706	765	1,830	1,773
Interest on long term debt	6,195	7,255	-	-	6,195	7,255
Redevelopment ⁽⁴⁾	559	294	-	-	559	294
Amortization	25,337	26,441	18,751	19,228	44,088	45,669
	57,466	53,974	68,373	65,920	125,839	119,894
Surplus (deficit) for the period	(11,672)	(15,569)	7,507	6,820	(4,165)	(8,749)

(1) Corporate office revenues and expenditures have been allocated equally between PavCo's facilities

(2) PavCo's proportionate share of the Convention Development Fund is consolidated to Vancouver Convention Centre operations

(3) Miscellaneous revenues include monies received outside of the course of normal operations.

(4) Redevelopment costs are outside of normal operating expenses and are associated with the redevelopment of lands to the west of BC Place

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

22. Segmented Information (cont.)

BC Place	Land	Buildings and improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware and software	2016	2015
Cost:								
Opening balance	31,292	551,355	52,604	23,218	-	612	659,081	658,744
Additions	-	1,615	1,536	16	-	195	3,362	815
Disposals	-	(134)	(2,698)	-	-	-	(2,832)	(479)
Closing balance	31,292	552,836	51,442	23,234	-	807	659,611	659,080
Accumulated amortization:								
Opening balance	-	(103,218)	(33,180)	(6,242)	-	(569)	(143,209)	(117,247)
Amortization expense	-	(17,764)	(5,988)	(1,524)	-	(61)	(25,337)	(26,441)
Effect of disposals and adjustments	-	134	2,697	-	-	-	2,831	479
Closing balance	-	(120,848)	(36,471)	(7,766)	-	(630)	(165,715)	(143,812)
Net book value – March 31, 2016	31,292	431,988	14,971	15,468	-	177	493,896	
Net book value – March 31, 2015	31,292	448,137	19,425	16,974		43		515,871

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2016 (tabular amounts in \$000s)

22. Segmented Information (cont.)

Vancouver Convention Centre	Land	Buildings and improvements	Leasehold Improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware and software	2016	2015
Cost:									
Opening balance	41,442	724,666	40,397	14,537	9,224	25	1,735	832,026	831,334
Additions	-	655	238	686	138	-	77	1,794	693
Disposals	-	-	-	-	-	-	-	-	-
Closing balance	41,442	725,321	40,635	15,223	9,362	25	1,812	833,820	832,028
Accumulated amortization:									
Opening balance	-	(96,649)	(12,666)	(12,094)	(9,173)	(25)	(1,684)	(132,291)	(113,062)
Amortization expense	-	(16,086)	(1,879)	(699)	(42)	-	(43)	(18,749)	(19,228)
Effect of disposals and adjustments	-	-	-	-	-	-	-	-	-
Closing balance	-	(112,735)	(14,545)	(12,793)	(9,215)	(25)	(1,727)	(151,040)	(132,290)
Net book value – March 31, 2016	41,442	612,586	26,090	2,430	147	-	85	682,780	
Net book value – March 31, 2015	41,442	628,017	27,731	2,443	52	-	52		699,737

PavCo's lease agreement with Canada Place Corporation for the Vancouver Convention Centre's east facility is for a 20-year term expiring in 2027. It is 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 tangible capital assets of the Corporation.