

**BCIF Management Ltd.**  
**Consolidated Financial Statements**  
**For the year ended March 31, 2004**

**BCIF Management Ltd.  
Consolidated Financial Statements  
For the year ended March 31, 2004**

	<u>Contents</u>
<b>Auditors' Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
<b>Balance Sheet</b>	<b>3</b>
<b>Statement of Operations and Deficit</b>	<b>4</b>
<b>Statement of Cash Flows</b>	<b>5</b>
<b>Summary of Significant Accounting Policies</b>	<b>6</b>
<b>Notes to Financial Statements</b>	<b>7 - 10</b>



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## Auditors' Report

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**To the Shareholder of  
BCIF Management Ltd.**

We have audited the Consolidated Balance Sheet of BCIF Management Ltd. as at March 31, 2004 and the Consolidated Statements of Operations and Deficit and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles disclosed in the Summary of Significant Accounting Policies. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*BDO Dunwoody LLP*

Chartered Accountants

Vancouver, British Columbia  
April 30, 2004

**BCIF Management Ltd.  
Consolidated Balance Sheet**

<u>March 31</u>	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 4,502,264	\$ 5,653,337
Accounts receivable	197,095	124,146
Current portion of loans receivable (Note 3)	<u>12,757,566</u>	<u>18,912,175</u>
	17,456,925	24,689,658
Loans receivable (Note 3)		291,854
Bond issue costs (Note 4)	<u>162,506</u>	<u>370,512</u>
	<u>17,619,431</u>	<u>25,352,024</u>
<b>Liabilities and Shareholder's Deficiency</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 73,700	\$ 58,064
Current portion of bonds payable (Note 5)	<u>6,200,000</u>	<u>7,400,000</u>
	6,273,700	7,458,064
Bonds payable (Note 5)	13,000,000	19,200,000
Due to the Ministry of Small Business and Economic Development (Note 7)	<u>100</u>	<u>100</u>
	<u>19,273,800</u>	<u>26,658,164</u>
<b>Shareholder's deficiency</b>		
Share capital (Note 6)	100	100
Deficit	<u>(1,654,469)</u>	<u>(1,306,240)</u>
	<u>(1,654,369)</u>	<u>(1,306,140)</u>
	<u>17,619,431</u>	<u>\$ 25,352,024</u>

On behalf of the Board:



Director



Director

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**BCIF Management Ltd.**  
**Consolidated Statement of Operations and Deficit**

<b>For the year ended March 31</b>	<b>2004</b>	<b>2003</b>
<b>Revenue</b>		
Investment income	<u>\$ 710,075</u>	<u>\$ 1,144,823</u>
<b>Expenses</b>		
Amortization of bond issue costs	219,818	376,309
Annual fees	15,200	15,583
Bond interest	471,200	545,752
Consulting	339,194	440,535
Professional fees	<u>12,892</u>	<u>17,429</u>
	<u>1,058,304</u>	<u>1,395,608</u>
<b>Loss for the year</b>	(348,229)	(250,785)
<b>Deficit, beginning of year</b>	<u>(1,306,240)</u>	<u>(1,055,455)</u>
<b>Deficit, end of year</b>	<u>\$ (1,654,469)</u>	<u>\$ (1,306,240)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BCIF Management Ltd.**  
**Consolidated Statement of Cash Flows**

For the year ended March 31	2004	2003
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (348,229)	\$ (250,785)
Item not involving cash		
Amortization of bond issue costs	219,818	376,309
	(128,411)	125,524
Changes in non-cash working capital balances		
Accounts receivable	(72,949)	(52,220)
Accounts payable and accrued liabilities	15,636	(31,451)
	(185,724)	41,853
<b>Investing activity</b>		
Repayment and (issuance) of loans receivable	6,446,463	(4,102,186)
<b>Financing activities</b>		
Net (advances to) proceeds from issuance of bonds (Note 5)	(7,400,000)	(1,050,000)
Increase (decrease) in bond issue costs	(11,812)	55,760
	(7,411,812)	(994,240)
<b>Decrease in cash during the year</b>	(1,151,073)	(5,054,573)
<b>Cash, beginning of year</b>	5,653,337	10,707,910
<b>Cash, end of year</b>	\$ 4,502,264	\$ 5,653,337
<b>Supplemental information</b>		
Interest paid	\$ 471,200	\$ 545,752

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**BCIF Management Ltd.**  
**Summary of Significant Accounting Policies**

**March 31, 2004**

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<b>Basis of Consolidation</b>	<p>These financial statements consolidate the balance sheet, statement of operations and deficit and cash flows for BCIF Management Ltd. with that of its wholly-owned subsidiary British Columbia Investment Fund Ltd. All inter-company charges and transactions have been eliminated in these consolidated financial statements.</p>
<b>Bond Issue Costs</b>	<p>Bond issue costs consist of direct costs incurred in issuing the bonds, including sales commissions, escrow agent fees, management fees, legal and other professional fees. They also include start-up costs and costs of preparing the Memorandum (Note 1).</p> <p>The bond issue costs are amortized on a straight-line basis over the period from the date the bonds are issued to their maturity date. The bonds are for a term of five years commencing from the date on which at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses as defined in the Memorandum. For bond issue costs associated with funds not yet invested in the active operations of Eligible Businesses, the costs are amortized over six years being the projected life of the bonds.</p>
<b>Financial Instruments</b>	<p>The Company's financial instruments consist of cash, accounts receivable, accrued interest receivable, loans receivable, accounts payable, accrued liabilities, bonds payable, and amounts due to the Ministry of Small Business and Economic Development. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p>
<b>Use of Estimates</b>	<p>The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.</p>

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**BCIF Management Ltd.**  
**Notes to Consolidated Financial Statements**

**March 31, 2004**

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**1. Nature of Operations**

BCIF Management Ltd. (the "Company") was incorporated under the British Columbia Company Act on December 23, 1994. The Company's name was changed from BCGF Management Ltd. to the present name on October 25, 1995. The Company was incorporated to provide fund management services to the Company's wholly-owned subsidiary, the British Columbia Investment Fund Ltd. (the "Fund"), and to facilitate the approval of the Fund as an Approved Fund under the Immigration Act and Regulations as prescribed in the Management Agreement attached to the Offering Memorandum of its subsidiary dated October 28, 1995 (the "Memorandum"). The Company is wholly-owned by the Province of British Columbia and is not subject to income taxes.

Pursuant to the Memorandum, the Company receives a commission equal to seven percent of the gross proceeds of the subscription amount received from the sale of each and every unit of the bond and may distribute all or part of the sales commission to any sub-agents. The Company also receives a management fee up to a maximum of three percent of the net book value of the Fund as at the end of the immediately preceding fiscal year.

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**2. Cash**

The Company's bank accounts are held at one chartered bank and a lawyer's trust account. The bank account and the lawyer's trust account earn interest at prime less 2.10%. During the year the account earned interest from 2.15% to 2.90%.

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**3. Loans Receivable**

The Company's loan receivables are comprised as follows:

	<u>2004</u>	<u>2003</u>
Loan receivable from No. 209 Cathedral Ventures Ltd. ("Cathedral 209"), due on demand, interest only monthly payments based on the deposit rate or Bankers' Acceptance rate earned by Cathedral 209 or at 15% per annum if that rate is not enforceable pursuant to the Interest Act (Canada).	\$ 4,900,000	\$ 5,434,669



**BCIF Management Ltd.**  
**Notes to Consolidated Financial Statements**

**March 31, 2004**

**3. Loans Receivable - Continued**

<p>Loan receivable of \$348,537 from CWC Lease Company Ltd. ("CWC"), receivable at \$32,516 per month including interest at 5.25% per annum calculated semi-annually in arrears, collateralized by a general security agreement and an assignment of CWC's interest in an assignment of rents, due on demand. During the year, CWC repaid \$4,000,000 of the \$4,300,000 loan advanced in the previous year, due on demand, interest only monthly payments based on the deposit rate or Bankers' Acceptance rate earned by CWC or at 15% per annum if that rate is not enforceable pursuant to the Interest Act (Canada).</p>	<b>648,537</b>	<b>4,801,581</b>
<p>Loan receivable from NJC Lease Company Ltd. ("NJC"), due on demand, interest only monthly payments based on the deposit rate or Bankers' Acceptance rate earned by NJC or at 15% per annum if that rate is not enforceable pursuant to the Interest Act (Canada), collateralized by a general security agreement of NJC's assets.</p>	<b>4,642,779</b>	<b>4,642,779</b>
<p>Loan receivable from No. 219 Cathedral Ventures Ltd.</p>		<b>4,325,000</b>
<p>Loan receivable from Lark Recreational Properties Ltd. ("Lark"), due on demand, interest and principal payments based on Royal Bank of Canada prime rate plus 2%, collateralized by the estate, right, title and interest of Lark presently owned or held, or after acquired or held personal property, assets and undertakings of Lark located on or realted in any way to the lands.</p>	<b>1,502,880</b>	
<p>Construction loan receivable from Fleetwood Villa Senior's Facility ("Fleetwood"). The interim, demand, non-revolving construction loan of approximately \$5,900,000 is secured by land and the construction of a 171-unit senior's facility. Interest rate is at 8%, calculated and payable monthly on the first day of each month. The final advance shall not be later than November 30, 2004. The construction loan will convert to a two year term loan on completion of construction, targeted for September 2004.</p>	<b>1,063,370</b>	<b>-</b>
	<b>12,757,566</b>	<b>19,204,029</b>
<p>Less: current portion</p>	<b>(12,757,566)</b>	<b>(18,912,175)</b>
	<b>\$ -</b>	<b>\$ 291,854</b>

**BCIF Management Ltd.**  
**Notes to Consolidated Financial Statements**

**March 31, 2004**

**4. Bond Issue Costs**

	2004	2003
Bond issue costs	\$ 2,338,695	\$ 2,326,882
Less: accumulated amortization	(2,176,189)	(1,956,370)
	\$ 162,506	\$ 370,512

**5. Bonds Payable**

During the year, the Fund cancelled a portion of 37 (2003 - 3 full bond units) bond units for gross disbursement of \$7,400,000 (2003 - \$1,050,000). As at March 31, 2004 a total of 76 (2003 - 76) bond units were outstanding for a total bond payable of \$19,200,000 (2003 - \$26,600,000).

In the subsequent year, 31 series A bonds will mature resulting in a total of \$6,200,000 repayable by March 5, 2005.

The Class "A" bonds mature five years from the date when at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses, as defined in the Memorandum (the "Hold Period"). The Class "B" bonds mature five years from the date of the last investor's Hold Period and may be entitled to a bonus payment based on the Fund's net asset value as defined in the Memorandum. Both bonds bear simple interest at an annual rate of 2%, payable annually on March 31 and are non-transferable with the exception of the right to sell back the bonds to the Fund in the event the investor is refused a Canadian immigrant visa. The bonds are unsecured and are not guaranteed. In addition, neither the Government of Canada nor the Province of British Columbia offer any guarantees or assurances of any investment return or the repayment of the principal amount of the bonds.

Fair value information on bonds payable has been omitted because it is not practical to determine the fair value of this financial instrument due to its unique characteristics and the lack of an organized market where this financial instrument can be traded.

**6. Share Capital**

	2004	2003
Authorized:		
100,000 Common shares, no par value		
Issued:		
100 Common shares	\$ 100	\$ 100

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**BCIF Management Ltd.**  
**Notes to Consolidated Financial Statements**

**March 31, 2004**

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**7. Due to the Ministry of Small Business and Economic Development**

The amount due to the Ministry of Small Business and Economic Development is unsecured, non-interest bearing and has no specific terms of repayment.

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**8. Comparative Figures**

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.