

Vancouver Convention Centre Expansion Project Ltd.
Financial Statements
Year ended March 31, 2005

Vancouver Convention Centre Expansion Project Ltd.

Statement of Management Responsibility

Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of *Vancouver Convention Centre Expansion Project Ltd.* These statements present fairly the financial position of the Company as at March 31, 2005 and results of its operations and cash flows for the year ended March 31, 2005.

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 *Vancouver Convention Centre Expansion Project Ltd.*



Ken Dobell
Chair



Colin Smith
Corporate Secretary &
Chief Financial Officer

Victoria, British Columbia
May 6, 2005



Report of the Auditor General of British Columbia

To the Members of the Board of Directors
of Vancouver Convention Centre Expansion Project Ltd., and

To the Minister of Small Business and Economic Development,
Province of British Columbia

I have audited the balance sheet of *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2005 and the statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2005 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 6, 2005

Wayne Strelieff, FCA
Auditor General


Vancouver Convention Centre Expansion Project Ltd.

Balance Sheet


(in \$000s)

March 31	2005	2004
Assets		
Cash (Note 3)	8,678	1,040
Short term investments (Note 5)	46,244	22,999
Accounts receivable (Note 6)	2,056	441
Due from Government of Canada (Note 7)	24,634	11,848
Prepays	10	11
	81,622	36,339
Long term investments (Note 5)	19,869	-
Capital assets (Note 8)	103,531	55,645
	205,022	91,984
Liabilities		
Accounts payable (Note 9)	10,749	12,359
Deferred revenue	2	6
Deferred contribution – City of Vancouver (Note 10)	3,670	-
	14,421	12,365
Shareholder's equity		
Share capital (Note 11)	-	-
Contributed surplus (Note 12)	189,439	78,848
Retained earnings	1,162	771
	190,601	79,619
	205,022	91,984
Commitments (Note 13)		
Contingent Liabilities (Note 14)		

On behalf of the Board



Chair


Director

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

Vancouver Convention Centre Expansion Project Ltd.

Statement of Income and Retained Earnings

(in \$000s)

Years ended March 31	2005	2004
Income		
Rent	466	820
Property tax recoveries	29	49
	495	869
Expenses		
Property tax	12	84
Amortization	92	67
	104	151
Net income for the year	391	718
Retained earnings - beginning of year	771	53
Retained earnings - end of year	1,162	771

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

Vancouver Convention Centre Expansion Project Ltd.

Statement of Cash Flows

(in \$000s)

Years ended March 31	2005	2004
Operations:		
Net income	391	718
Non-cash items		
Amortization of capital assets	92	67
Deferred revenue	(4)	-
<i>Cash provided by (used in) operating activities</i>	479	785
Investments:		
Capital asset additions	(49,791)	(23,012)
Interest earned	1,813	776
Long term investment	(19,869)	-
Accounts receivable	(1,615)	(378)
Prepays	1	(11)
Accounts payable	(1,610)	10,825
Due to Shareholder	-	(31,975)
<i>Cash provided by (used in) investing activities</i>	(71,071)	(22,236)
Financing:		
Due from Government of Canada	(12,786)	(11,848)
Contributions – City of Vancouver	3,670	-
Contributions – Government of Canada (INFC)	35,189	11,848
Contributions – Government of Canada (WED)	954	-
Contributions – Province of British Columbia	65,148	67,000
Contributions – Tourism Vancouver	9,300	-
<i>Cash provided by (used in) financing activities</i>	101,475	45,461
Net increase in cash and cash equivalents	30,883	24,010
Cash and cash equivalents - beginning of year	24,039	29
Cash and cash equivalents - end of year	54,922	24,039
Cash and cash equivalents		
Cash	8,678	1,040
Short term investments	46,244	22,999
Total cash and cash equivalents	54,922	24,039

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

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

1) Nature of Business

The Vancouver Convention Centre Expansion Project Ltd. (the "Company") was incorporated under the laws of British Columbia on February 13, 2003. A board of directors, all appointed by the Company's sole shareholder, the Province of British Columbia, governs the Company.

The Company's purpose is to design, build, commission and own an expansion of the convention centre in downtown Vancouver. Upon commissioning, the Company will enter into an operating agreement with BC Pavilion Corporation for the operation of the expanded facility.

The Company is exempt from federal and provincial income taxes.

2) Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Construction-in-progress

All costs of construction are recorded at cost and include direct costs during development and construction, as well as property taxes and the applicable portion of interest. At the point in time when the facilities are substantially completed, these costs will be transferred to capital assets. They will be subsequently amortized over their estimated useful lives.

b) Use of estimates

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 and disclosure of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

c) Environmental costs

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

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

2) Significant Accounting Policies (continued)

d) Investments

Short term investments consist of low duration, fixed income securities such as treasury bills. Long term investments consist of Government of Canada, corporate and provincial bond issues.

Short term and long term investments are recorded at the lower of cost or market, and any accrued interest is recorded as an account receivable (Note 4 and 5).

e) Capital asset amortization

Capital assets are stated at cost and amortization is being calculated on the straight-line basis using the following rates:

Asset	Rate
Furniture and equipment	33%
Computer hardware	33%
Computer software	33%

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 liabilities are restated using the prevailing rate of exchange at the balance sheet date.

g) Related party transactions

The Company is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

3) Cash

Cash otherwise reserved represents funds received from the City of Vancouver for construction of the earth retaining structure (Western Shell).

	March 31 2005	March 31 2004
Cash	5,008	1,040
Cash otherwise reserved	3,670	-
	8,678	1,040

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

4) Funding

The cost of construction of the expansion to the Vancouver Convention Centre is to be shared by the Government of Canada (\$202.5 million), the Province of British Columbia (\$202.5 million) and Tourism Vancouver (\$90 million). Tourism Vancouver's funding is being financed by way of contributions advanced on its behalf from the Province of British Columbia. \$30 million of further funds will be secured from commercial opportunities arising from the expansion.

The Government of Canada will fund \$20 million towards the construction of a connection between the new convention centre facility and Canada Place, and the Province of British Columbia will fund \$20 million of upgrades to the existing facility.

In addition, the Province of British Columbia has committed and agrees to provide a further \$7.5 million towards the expansion project provided the Government of Canada contributes a like amount. In March 2005, the Company entered into a separate \$2.1 million funding agreement with Western Economic Diversification Canada (WED) for incremental sustainable initiatives to be added to the expansion project. WED has entered into a Western Economic Partnership Agreement with the Province whereby the Province will contribute matching funds of \$2.1 million in fiscal 2006/07 from its commitment of \$7.5 million.

5) Investments

	March 31 2005	March 31 2004
Short term:		
Cash	3	4
Canadian treasury bills with maturities of twelve months or less and interest rates of 2.33% to 2.86% (1.69% to 2.39% in 2004)	46,241	22,995
Total cost	46,244	22,999
Market value	46,562	23,126
Long term:		
Government of Canada, provincial and corporate bonds maturing between June 2006 and September 2008 with interest rates of 3.0% to 4.5%	15,704	-
Strip coupons maturing December 2007 with interest rates of up to 4.13%	4,165	-
Total cost	19,869	-
Market value	20,120	-

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

6) Accounts Receivable

	March 31 2005	March 31 2004
Trade	39	50
Interest	435	131
GST	1,575	189
Due from Partnerships BC	-	57
Due from Rapid Transit Project 2000 Ltd.	7	14
	2,056	441

7) Due from Government of Canada

(a) Project funding

The funding agreement between Infrastructure Canada and the Company specifies that the Company may submit claims for reimbursement of paid eligible costs to a maximum of \$222.5 million. At March 31, 2005, the Company has recovered \$23.4 million of the \$41.7 million in total claims submitted for recovery of paid eligible costs.

	March 31 2005	March 31 2004
Total claims submitted	41,663	10,276
Payments received from Government of Canada	23,357	-
Total claims receivable	18,306	10,276
Accrued (unpaid) eligible costs at March 31	5,373	1,572
Total receivable	23,679	11,848

(b) Incremental funding

The funding agreement between WED and the Company specifies that the Company may submit claims for reimbursement of paid eligible costs to a maximum of \$2.1 million. At March 31, 2005, the Company has submitted claims for \$0.95 million of eligible costs.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

8) Capital Assets

			March 31 2005	March 31 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	38,646	-	38,646	38,646
Furniture and equipment	55	22	33	24
Computer hardware/software	235	137	98	176
Construction-in-progress	64,754	-	64,754	16,799
	103,690	159	103,531	55,645

Land consists of \$28 million for the purchase of the Convention Centre lands from FHR Properties in March 2003, and \$10.6 million for the purchase of Lot D from the City of Vancouver.

The Company has entered into an agreement with FHR Properties whereby FHR Properties has granted the Company an Option to Purchase Water Lot 22 for the sum of \$1. Lot 22 is adjacent to the Convention Centre lands currently owned by the Company. The Company may exercise this Option up to its expiry date of March 31, 2007.

Construction-in-progress includes \$3.1 million of steel pipe which was transferred to the Company by the Province, upon windup of the Vancouver Trade and Convention Centre Authority. The pipe is also reflected in contributed surplus (Note 11).

9) Accounts Payable

	March 31 2005	March 31 2004
Trade	9,318	12,150
Lien holdbacks	1,328	64
Due to Minister of Finance	50	36
Due to Rapid Transit Project 2000 Ltd.	53	109
	10,749	12,359

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

10) Deferred Contribution – City of Vancouver

The Company entered into an agreement with the City of Vancouver, whereby the City has funded \$4.1 million for construction of an earth retaining structure below the future plaza (referred to as the Western Shell), which the Company will project manage as part of the expansion project.

	March 31 2005	March 31 2004
Total funding received	4,076	-
Western Shell costs at March 31, 2005	406	-
Net deferred contribution	3,670	-

11) Share Capital

The Company has authorized capital of 100,000 common shares without par value of which 100 shares are issued and outstanding. The Minister of Small Business and Economic Development holds the shares issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

12) Contributed Surplus

The Company received contributions as follows:

	March 31 2005	March 31 2004
Government of Canada (INFC)	47,037	11,848
Government of Canada (WED)	954	-
Province of British Columbia	129,000	67,000
Province of British Columbia (VTCCA pipe)	3,148	-
Tourism Vancouver	9,300	-
	189,439	78,848

13) Commitments

(a) Construction-in-progress

As at March 31, 2005, the Company is committed to future expenditures of approximately \$89.9 million (\$15.6 million at March 31, 2004) for contracts currently entered into with respect to the Project.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2005

(tabular amounts in \$000s)

13) Commitments (continued)

(b) Operating Lease

The Company is committed to payments under operating leases as follows:

	March 31 2005	March 31 2004
Year ending March 31, 2006	260	249
2007	260	249
2008	260	249
2009	130	124

14) Contingent Liability

Financial Security

The Company has issued Letters of Credit to the following:

	Value	Expiry Date
<u>City of Vancouver:</u>		
Thurlow Street Viaduct warranty costs	\$211,940	October 20, 2005
Storm Sewer on Waterfront Road	\$285,000	May 28, 2005
<u>Department of Fisheries and Oceans Canada:</u>		
Habitat compensation and monitoring	\$100,000	September 3, 2005

15) Financial Instruments

The Company's financial instruments consist of cash, short term investments, accounts receivable, long term investments, accounts payable and deferred revenue. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

16) Comparative Figures

Certain 2004 figures have been reclassified to conform with the current period presentation.