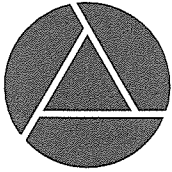


B.C. Pavilion Corporation
Financial Statements
March 31, 2007



Report of the Office of the Auditor General of British Columbia

To the Board of Directors of the
B.C. Pavilion Corporation, and
To the Minister of Tourism, Sport and the Arts
Province of British Columbia:

I have audited the balance sheet of the *B.C. Pavilion Corporation* as at March 31, 2007 and the statements of operations and operations deficiency 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 *B.C. Pavilion Corporation* as at March 31, 2007 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 4, 2007

Errol Price, CA
Deputy Auditor General

B.C. Pavilion Corporation

Statement of Management Responsibility

The financial statements of B.C. Pavilion Corporation for the year ended March 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Corporation as at March 31, 2007, and the results of its operations and changes in its financial position for the year then ended.

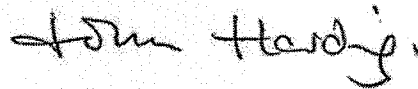
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Audit Committee of the Board of Directors carries out its responsibility for the review of the financial statements. The Committee 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 Committee, with and without the presence of management.

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



Doris Bradstreet Daughney
Chief Executive Officer



John Harding
Chief Financial Officer

May 4, 2007

B.C. Pavilion Corporation

Balance Sheet

(in \$000s)

March 31

2007

2006

Assets

Current

Cash and cash equivalents (Note 3)	8,532	3,227
Accounts receivable	2,245	2,342
Due from Province of British Columbia	-	2,277
Prepaid expenditures	508	562
Assets held for sale (Note 4)	5,525	6,051

16,810 14,459

Capital assets (Note 5)

52,802 52,033

69,612 66,492

Liabilities

Current

Trade payables and accrued liabilities	6,125	3,806
Current portion of long-term debt (Note 6)	75	75
Unearned revenue	3,645	4,086

9,845 7,967

Long-term

Long-term debt (Note 6)	268	368
Unearned revenue	513	305
Deferred government contributions (Note 7)	29,929	28,795

30,710 29,468

40,555 37,435

Shareholder's Equity

Share capital (Note 8)	-	-
Contributed surplus	31,131	31,131
Operations deficiency	(2,074)	(2,074)

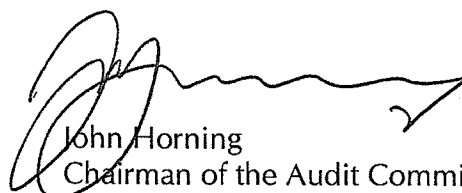
29,057 29,057

69,612 66,492

On behalf of the Board



David Podmore
Chairman of the Board



John Horning
Chairman of the Audit Committee

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Operations and Operations Deficiency

(in \$000s)

Year Ended March 31

	2007	2006
Revenues from operations (Note 9)	32,447	28,125
Direct costs	17,827	15,200
	<u>14,620</u>	12,925
Facility expenses		
Staffing	7,381	6,972
Operating	5,546	5,216
General and administration	1,894	1,836
Business development	1,459	1,285
Fees	1,136	1,185
Depreciation	3,084	2,590
	<u>20,500</u>	19,084
(Loss) on operations	(5,880)	(6,159)
Province of British Columbia grant (Note 7)	3,876	4,249
Loss before discontinued operations	(2,004)	(1,910)
Discontinued operations		
Net income from Bridge Studios (Note 4)	2,004	1,910
Net income	<u><u>-</u></u>	<u><u>-</u></u>
Operations deficiency – beginning of year	<u>(2,074)</u>	(2,074)
Operations deficiency – end of year	<u>(2,074)</u>	(2,074)

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Statement of Cash Flows

(in \$000s)

Year Ended March 31	2007	2006
Operations		
(Loss) on operations	(5,880)	(6,159)
Depreciation	3,084	2,590
Loss on disposition of assets	-	5
Unearned revenue	(233)	1,318
Change in non-cash operating working capital (Note 10)	5,273	(2,103)
	2,244	(4,349)
Net income from Bridge Studios (Note 4)	2,004	1,910
<i>Cash provided by (used in) operations</i>	4,248	(2,439)
Financing		
Contributions from the Province of British Columbia	5,010	5,857
<i>Cash provided by financing activities</i>	5,010	5,857
Investing		
Capital asset additions	(3,853)	(3,561)
(Decrease) in long-term debt	(100)	(75)
<i>Cash (used in) investing activities</i>	(3,953)	(3,636)
Net increase (decrease) in cash and cash equivalents	5,305	(218)
Cash and cash equivalents – beginning of year	3,227	3,445
Cash and cash equivalents – end of year (Note 3)	8,532	3,227

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2007

(tabular amounts in \$000s)

1. Authority and purpose

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

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

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

2. Summary of significant accounting policies

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

Short-term investments

Short-term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and fair value. Income attributed to the units represents the unitholder's share of the interest earned by the Portfolio and may be realized upon the sale of the units.

Capital assets

Capital assets funded through contributions by the Province of British Columbia are recorded at cost less accumulated depreciation.

Capital assets funded by the Government of Canada are recorded at cost, net of the related contributions and less accumulated depreciation.

Capital assets contributed by other parties in exchange for services are recorded at the fair value less accumulated depreciation.

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

Assets are depreciated over their estimated useful lives to PavCo:

Buildings and improvements	10 to 50 years, straight line
Furniture	5 years, straight line
Computer equipment	3 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement and the term of the lease
Motor vehicles	30% per annum, declining balance
Equipment and other capital assets	1 to 10 years, straight line

Government funding

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

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

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

Revenue recognition

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

Revenue from rentals at Bridge Studios is recognized as the facility is utilized.

Contra-transactions

Unearned revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

Accounting estimates

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

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

Environmental expenses

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

Financial instruments

PavCo has various financial instruments including cash, receivables and payables. The carrying values of these financial instruments approximates their fair value due to their short-term nature.

Foreign currency transactions

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

Impairment of long-lived assets

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

Related parties

PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

3. Cash and cash equivalents

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

	<u>2007</u>	<u>2006</u>
Cash	3,230	3,056
Short-term investments	5,302	171
	<u>8,532</u>	<u>3,227</u>
Fair value of short-term investments	<u>5,306</u>	<u>171</u>

4. Discontinued operations

During the year ended March 31, 2007 the shareholder directed PavCo to sell the assets associated with the operations known as Bridge Studios. Subsequent to year end an offer was received with completion expected during the first quarter of the fiscal year commencing April 1, 2007. The sale of Bridge Studios will result in a reduction of revenues, expenses and net income for PavCo.

Comparative financial results for Bridge Studios are:

<u>Year Ended March 31</u>	<u>2007</u>	<u>2006</u>
Revenues from operations	4,764	4,503
Direct costs	383	404
	<u>4,381</u>	<u>4,099</u>
Facility expenses		
Staffing	359	339
Operating	999	839
General and administration	325	287
Business development	41	31
Fees	59	116
Depreciation	594	577
	<u>2,377</u>	<u>2,189</u>
Net income	<u>2,004</u>	<u>1,910</u>

The carrying costs of the capital assets at March 31, 2007 are \$5,525 thousand (2006 \$6,051 thousand).

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

5. Capital assets	2007			2006
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Facilities				
BC Place Stadium (Note A)	100,364	49,261	51,103	50,840
Vancouver Convention & Exhibition Centre	7,737	6,080	1,657	1,179
Corporate Office	75	33	42	14
	108,176	55,374	52,802	52,033

Note A – BC Place Stadium carrying cost includes land \$29,818 thousand.

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

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

6. Long-term debt

	2007	2006
British Columbia Transportation Financing Authority	343	443
Less: Current portion	75	75
	268	368

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

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

7. Deferred government contributions

	2007			2006
	Capital Assets	Operating	Total	Total
Balance, beginning of year	27,472	1,323	28,795	27,187
Contributions received from the Province of British Columbia	4,164	846	5,010	5,857
	31,636	2,169	33,805	33,044
Allocated to operations:				
To offset depreciation recorded on related capital assets	(3,489)	-	(3,489)	(3,007)
To fund current operating deficiency	-	(387)	(387)	(1,242)
	(3,489)	(387)	(3,876)	(4,249)
Balance, end of year	28,147	1,782	29,929	28,795

8. Share capital

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

9. Revenue from operations by business segment

	2007	2006
Vancouver Convention & Exhibition Centre	19,106	15,344
BC Place Stadium	13,054	12,713
Corporate Office	287	68
	32,447	28,125

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

10. Change in non-cash operating working capital

	<u>2007</u>	<u>2006</u>
Receivables	97	(393)
Due from Province of British Columbia	2,277	(1,801)
Prepays	54	(24)
Assets held for sale	526	442
Trade payables and accrued liabilities	2,319	(327)
	<u>5,273</u>	<u>(2,103)</u>

11. Intangible rights

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

The first relates to a parcel of land adjacent to BC Place Stadium that was transferred to a developer for future exchange for another piece of land of approximate size. If by 2008 the adjacent land is sub-divided or developed, then PavCo will receive the land exchange, otherwise, PavCo will receive cash compensation of approximately \$150 thousand.

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

12. Environmental costs

PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that exist at Bridge Studios or may exist at other facilities. These hazards are being actively monitored and mitigated by PavCo's management. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to PavCo.

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in \$000s)

13. Related party transactions

PavCo has the following related party transactions during the year, all of which were recorded at the exchange amount:

	<u>2007</u>	2006
Capital and operating funding	5,000	5,524
Signing bonus	10	333
Revenues from operations	488	309
Amounts included in accounts receivable	2	1
Payments for office and professional services	1,819	1,754
Amounts included in accounts payable and accrued liabilities	47	26
Repayment of long-term debt	100	75

14. Employee benefits plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates of 1.88% each, for plan members and employers, was necessary in order for the Plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees therefore increased contributions effective April 1, 2006.

Contributions to the Plan by PavCo for fiscal 2007 were \$586 thousand (2006 - \$399 thousand).

15. Comparative figures

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