

Vancouver Convention Centre Expansion Project Ltd.
Financial Statements
Year ended March 31, 2007

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 Corporation as at March 31, 2007 and results of its operations and cash flows for the year ended March 31, 2007.

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.*



David Podmore
Chair



Colin Smith
Corporate Secretary &
Chief Financial Officer

Vancouver, British Columbia
May 4, 2007



Report of the Office of the Auditor General of British Columbia

To the Board of Directors of the
Vancouver Convention Centre Expansion Project Ltd., and
To the Minister of Tourism, Sport and the Arts
Province of British Columbia:

I have audited the balance sheet of the *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2007 and the statements of income and retained earnings 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 *Vancouver Convention Centre Expansion Project Ltd.* 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


Vancouver Convention Centre Expansion Project Ltd.


Balance Sheet

(in \$000s)

March 31	2007	2006
Assets		
Cash	13,835	16,762
Short term investments (Note 4)	57,198	50,937
Accounts receivable (Note 5)	38,397	4,333
Due from Government of Canada (Note 6)	11,766	13,835
Prepays	8	10
	121,204	85,877
Long term investments (Note 4)	88,151	68,202
Capital assets (Note 7)	284,127	181,411
	493,482	335,490
Liabilities		
Accounts payable (Note 8)	20,087	15,937
Deferred revenue (Note 9)	6,897	2,283
Deferred contribution – City of Vancouver (Note 10)	-	40
Deferred contribution – Other (Note 11)	192,859	114,463
	219,843	132,723
Shareholder's equity		
Share capital (Note 12)	-	-
Contributed surplus (Note 13)	272,500	201,648
Retained earnings	1,139	1,119
	273,639	202,767
	493,482	335,490
Commitments (Note 14)		
Contingent Liabilities (Note 15)		

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	2007	2006
Income		
Rent	51	51
	51	51
Expenses		
Property tax	-	(3)
Amortization	31	97
	31	94
Net income (loss) for the year	20	(43)
Retained earnings – beginning of year	1,119	1,162
Retained earnings – end of year	1,139	1,119

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	2007	2006
Operations:		
Net income (loss)	20	(43)
Non-cash items		
Amortization of capital assets	31	97
<i>Cash provided by (used in) operating activities</i>	51	54
Investments:		
Capital asset additions	(107,823)	(82,893)
Interest earned	5,077	3,797
Long term investment	(19,949)	(48,333)
Accounts receivable	3,336	123
Accounts payable	4,150	5,188
<i>Cash provided by (used in) investing activities</i>	(115,209)	(122,118)
Financing:		
Due from Government of Canada	2,069	10,799
Deferred revenue	4,614	1,000
Contributions – City of Vancouver	(40)	(3,630)
Contributions – Government of Canada (INFC)	48,406	38,172
Contributions – Government of Canada (WED)	391	-
Contributions – Province of BC	40,852	69,500
Contributions – Tourism Vancouver	22,200	19,000
<i>Cash provided by (used in) financing activities</i>	118,492	134,841
Net decrease in cash and cash equivalents	3,334	12,777
Cash and cash equivalents - beginning of year	67,699	54,922
Cash and cash equivalents - end of year	71,033	67,699
Cash and cash equivalents		
Cash	13,835	16,762
Short term investments	57,198	50,937
Total cash and cash equivalents	71,033	67,699

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, 2007

(tabular amounts in \$000s)

1) Nature of Business

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

The Corporation's purpose is to design, build, commission and own an expansion of the convention centre in downtown Vancouver. Upon commissioning, a separate entity will operate the expanded facility.

The Corporation 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 value-in-kind contributions (Note 2 j), 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, 2007

(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 as well as corporate and government bonds which mature within one year. Long term investments consist of Government of Canada, corporate and provincial bond issues.

Short term investments are recorded at the lower of cost or fair value and long term investments are recorded at cost. 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 Corporation 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.

h) Deferred revenue

The Corporation receives revenue in advance from lease and business alliance agreements. Deferred revenue and expenses incurred to generate this revenue are amortized on a straight-line basis over the term specified in the agreements.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2007

(tabular amounts in \$000s)

2) Significant Accounting Policies (continued)

i) Deferred contributions

Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

j) Value-in-kind (VIK)

The Corporation has entered into agreements where 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 construction in progress (Note 2 a).

3) Funding

At March 31, 2007, the budgeted cost of \$643.1 million for construction of the new convention centre facility (Expansion facility) is to be shared by the Government of Canada (\$202.5 million), the Province of British Columbia (up to \$320.6 million) and Tourism Vancouver (\$90 million). A minimum of \$30 million of further funds will be secured from commercial opportunities arising from the expansion.

Tourism Vancouver's funding is being financed by way of contributions advanced on its behalf from the Province of British Columbia (Note 11).

In addition to the contributions noted above for the Expansion facility, the Government of Canada will fund \$20 million towards the construction of a connection between the Expansion facility and Canada Place, and the Province of British Columbia will fund \$20 million of upgrades to the existing facility at Canada Place.

In March 2005, the Corporation entered into a separate \$2.1 million funding agreement with Western Economic Diversification Canada (WED) for incremental sustainability initiatives to be added to the expansion project.

Subsequent to year end, on April 11, 2007, the Province approved a further interim lift of \$86 million for the Expansion facility raising the new facility's budget to \$729.1 million (and the Province's related contribution to \$406.6 million).

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2007

(tabular amounts in \$000s)

4) Investments

	March 31 2007	March 31 2006
Short term:		
Cash	2	7
Canadian treasury bills with maturities of twelve months or less and interest rates of 4.18% (3.46% to 4.03% in Fiscal Year 05/06).	910	35,554
Government and corporate bonds maturing within twelve months and interest rates of between 2.75% and 4.50% (3.25% to 3.50% in Fiscal Year 05/06).	41,984	11,520
Strip coupons maturing within twelve months with interest rates of up to 4.0%.	14,302	3,856
Total cost	<u>57,198</u>	<u>50,937</u>
Fair value	<u>57,292</u>	<u>51,202</u>
Long term:		
Government of Canada, provincial and corporate bonds maturing between April 2008 and October 2008 with interest rates of 3.70% to 6.00% (2.75% to 4.50% in Fiscal Year 05/06).	86,265	52,547
Strip coupons maturing in June 2008 with interest rates of up to 4.13%.	1,886	15,655
Total cost	<u>88,151</u>	<u>68,202</u>
Fair value	<u>88,163</u>	<u>67,838</u>

5) Accounts Receivable

	March 31 2007	March 31 2006
Trade	3	53
Interest	114	815
GST	880	1,058
Due from Rapid Transit Project 2000 Ltd.	-	7
Due from Forestry Innovation Investment Ltd.	-	2,400
Due from Province of BC	30,000	-
Due from Province of BC (Tourism Vancouver)	7,400	-
	<u>38,397</u>	<u>4,333</u>

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For the year ended March 31, 2007

(tabular amounts in \$000s)

6) Due from Government of Canada

a) Project funding

The funding agreement between Infrastructure Canada and the Corporation specifies that the Corporation may submit claims for reimbursement of paid eligible costs to a maximum of \$222.5 million. At March 31, 2007, the Corporation has recovered \$122.2 million of the \$126.5 million in total claims submitted for recovery of paid eligible costs.

b) Incremental funding

The funding agreement between WED and the Corporation specifies that the Corporation may submit claims for reimbursement of paid eligible costs to a maximum of \$2.1 million. At March 31, 2007, the Corporation has recovered \$946,238 of the \$954,191 total submitted claims for eligible costs under this agreement.

	March 31 2007	March 31 2006
Infrastructure Canada:		
Total claims submitted	126,516	78,533
Payments received	122,247	71,381
Claims receivable	4,269	7,152
Accrued (unpaid) eligible costs	7,098	6,675
Receivable from Infrastructure Canada	11,367	13,827
Western Economic Diversification Canada:		
Total claims submitted	954	954
Payments received	946	946
Claims receivable	8	8
Accrued (unpaid) eligible costs	391	-
Receivable from WED	399	8
Total due from Government of Canada	11,766	13,835

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

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(tabular amounts in \$000s)

7) Capital Assets

	March 31, 2007			March 31 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	38,646	-	38,646	38,646
Furniture and equipment	55	50	5	15
Computer hardware/software	238	236	2	23
Construction-in-progress	245,474	-	245,474	142,727
	284,413	286	284,127	181,411

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 Corporation has exercised an Option to Purchase Water Lot 22 from FHR Properties for the sum of \$1.00. Lot 22 is adjacent to the Convention Centre lands already owned by the Corporation. The Corporation is required to consolidate all of its existing lands (Parcels D, E, Water Lot 23 and Water Lot 22) into one parcel. To facilitate site consolidation, the Corporation and the City of Vancouver have agreed to a transfer of a portion of the City's road dedications through the Corporation's lands in exchange for the westerly portion of Lot 22. It is anticipated that the transfer of ownership of the western portion of Lot 22 to the City and the site consolidation of the Corporation's lands will be completed by June 2007.

Construction-in-progress is net of interest earned of \$11.5 million (\$6.4 million at March 31, 2006) and includes \$3.1 million of steel pipe which was transferred to the Corporation by the Province, upon windup of the Vancouver Trade and Convention Centre Authority. The pipe is also reflected in contributed surplus (Note 13).

8) Accounts Payable

	March 31 2007	March 31 2006
Trade	14,469	14,449
Lien holdbacks	5,550	1,365
Due to Minister of Finance	68	70
Due to Rapid Transit Project 2000 Ltd.	-	53
	20,087	15,937

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9) Deferred Revenue

	March 31 2007	March 31 2006
Bell Canada	5,000	-
Forestry Innovation Investment Ltd.	4,000	3,400
Unearned lease revenue	2	2
Total deferred revenue	9,002	3,402
Less: revenue generation expenses to date	2,105	1,119
Net deferred revenue	6,897	2,283

10) Deferred Contribution – City of Vancouver

The Corporation entered into an agreement with the City of Vancouver, whereby the City has funded \$4.1 million for construction of a parking structure below the future Thurlow Street plaza (referred to as the Western Shell), which the Corporation project managed as part of the expansion project. At June 30, 2006, this structure was completed.

	March 31 2007	March 31 2006
Total funding received	4,076	4,076
Western Shell costs to date	4,076	4,036
Net deferred contribution	-	40

11) Deferred Contribution – Other

Contributions received from the Government of Canada (including accrued eligible costs) and Tourism Vancouver are as follows:

	March 31 2007	March 31 2006
Government of Canada (INFC)	133,614	85,209
Government of Canada (WED)	1,345	954
Province of British Columbia (Tourism Vancouver)	57,900	28,300
	192,859	114,463

Vancouver Convention Centre Expansion Project Ltd.

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12) Share Capital

The Corporation has authorized capital of 100,000 common shares without par value of which 100 shares are 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.

13) Contributed Surplus

The Corporation received contributions as follows:

	March 31 2007	March 31 2006
Province of British Columbia	269,352	198,500
Province of British Columbia (VTCCA pipe)	3,148	3,148
	272,500	201,648

14) Commitments

a) Construction-in-progress

As at March 31, 2007, the Corporation is committed to future expenditures of approximately \$206.0 million (\$152.6 million at March 31, 2006) for contracts currently entered into with respect to the Project.

b) Operating Lease

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

	March 31 2007	March 31 2006
Year ending March 31, 2008	322	275
2009	160	140
2010	1	-

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2007

(tabular amounts in \$000s)

15) Contingent Liability

The Corporation has issued Letters of Credit to the following:

	Value (in \$)	Expiry Date
<u>City of Vancouver:</u>		
Thurlow Street Viaduct warranty costs	\$211,940	October 20, 2007
<u>Department of Fisheries and Oceans Canada:</u>		
Habitat compensation and monitoring	\$100,000	September 3, 2007

The Letters of Credit include an annual auto-renewal clause, unless cancelled prior to the expiry date.

16) Financial Instruments

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

17) Comparative Figures

Certain 2006 figures have been reclassified to conform with the current year.