

Vancouver Convention Centre Expansion Project Ltd.
Financial Statements
Year ended March 31, 2008


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, 2008 and results of its operations and cash flows for the year ended March 31, 2008.

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

Vancouver, British Columbia
May 9, 2008



Report of the Auditor General
of British Columbia

*To the Board of Directors of
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 *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2008 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, 2008 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 9, 2008*

John Doyle, MBA, CA
Auditor General

Vancouver Convention Centre Expansion Project Ltd.

Balance Sheet

(in \$000s)

March 31	2008	2007
Assets		
Cash	1,409	13,835
Investments (Note 5)	78,661	145,349
Accounts receivable (Note 6)	4,830	38,397
Due from Government of Canada (Note 7)	9,982	11,766
Prepays	8	8
	94,890	209,355
Capital assets (Note 8)	526,966	284,127
	621,856	493,482
Liabilities		
Accounts payable (Note 9)	43,175	20,087
Deferred revenue (Note 10)	11,771	6,897
Deferred contributions – Other (Note 11)	293,302	192,859
	348,248	219,843
Shareholder's equity		
Share capital (Note 12)	-	-
Contributed surplus (Note 13)	272,500	272,500
Retained earnings	1,216	1,139
Accumulated other comprehensive income (Note 14)	(108)	-
	273,608	273,639
	621,856	493,482
Commitments (Note 15)		
Contingent Liabilities (Note 16)		

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	2008	2007
Income		
Rent	89	51
	89	51
Expenses		
Amortization	12	31
	12	31
Net income for year	77	20
Retained earnings – beginning of year	1,139	1,119
Retained earnings – end of year	1,216	1,139

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	2008	2007
Operations:		
Net income	77	20
Non-cash items		
Amortization of capital assets	12	31
<i>Cash provided by (used in) operating activities</i>	89	51
Investments:		
Capital asset additions	(250,503)	(107,823)
Interest earned	7,652	5,077
Investments	122,507	(23,527)
Accumulated other comprehensive income	(108)	-
Accounts receivable	(3,833)	3,336
Accounts payable	23,088	4,150
<i>Cash provided by (used in) investing activities</i>	(101,197)	(118,787)
Financing:		
Due from Government of Canada	1,784	2,069
Deferred revenue	4,874	4,614
Contributions – City of Vancouver	-	(40)
Contributions – Government of Canada (INFC)	74,899	48,406
Contributions – Government of Canada (WED)	441	391
Contributions – Province of BC	30,000	40,852
Contributions – Tourism Vancouver	32,100	22,200
Contributions - Other	403	-
<i>Cash provided by (used in) financing activities</i>	144,501	118,492
Net increase (decrease) in cash and cash equivalents	43,393	(244)
Cash and cash equivalents - beginning of year	16,594	16,838
Cash and cash equivalents - end of year	59,987	16,594
Cash and cash equivalents		
Cash	1,409	13,835
Investments < 90 days	58,578	2,759
Total cash and cash equivalents	59,987	16,594

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, 2008

(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 (Note 3). 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:

New accounting policies

Effective April 1, 2007 the Corporation adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Comprehensive Income ("Section 1530") and Financial Instruments – Recognition and Measurement ("Section 3855"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

Comprehensive Income

Section 1530 requires the presentation of comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholder's equity and includes items such as unrealized gains and losses on financial assets classified as available-for-sale.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets and financial liabilities, including derivatives, are measured in the balance sheet at fair value, except for loans and receivables, and other financial liabilities, which are measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash is classified as financial assets held for trading. Due to its nature, the carrying value equals its fair value. Investments are classified as available for sale and are carried at fair value with the changes in fair value recorded in accumulated other comprehensive income. Gains and losses realized on the disposal of available for sale securities, along with interest are recorded in construction-in-progress. Accounts receivable are classified as loans and receivables and are measured at amortized cost.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

2) Significant Accounting Policies (continued)

Accounts payable are classified as other financial liabilities which are also measured at amortized cost.

It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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 (VIK) contributions (see VIK accounting policy), property taxes, any realized gains or losses on the disposal of available for sale securities and interest earned or incurred during construction. 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.

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.

Environmental costs

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

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%

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

2) Significant Accounting Policies (continued)

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.

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.

Deferred revenue

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

Deferred contributions

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

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 (see construction-in-progress accounting policy).

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

3) Subsequent Event

On April 1, 2008, Vancouver Convention Centre Expansion Project Ltd. ('VCCEP') amalgamated with B.C. Pavilion Corporation ('PavCo'), the current operator of the existing convention centre at Canada Place. The newly formed corporation under the *British Columbia Business Corporations Act* is named B.C. Pavilion Corporation.

PavCo, VCCEP and B.C. Pavilion Corporation are all related by virtue of common ownership and control. VCCEP will retain its Project identity and associated project management processes and controls while operating as a division of B.C. Pavilion Corporation. All assets, liabilities and equities were transferred to B.C. Pavilion Corporation at the carrying values on April 1, 2008.

Based on the March 31, 2008 audited balance sheets for VCCEP and PavCo, the balance sheet for the amalgamated corporation will be as follows:

(in \$000's)	VCCEP	PavCo	Consolidated
Current assets	94,890	43,221	138,111
Capital assets	526,966	51,684	578,650
Liabilities	54,946	10,508	65,454
Deferred contributions	293,302	26,669	319,971
Contributed surplus	272,500	31,131	303,631
Retained earnings	1,108	26,597	27,705

4) Funding

At March 31, 2008, the budget for construction of the new convention centre facility (Expansion facility), the connection between the Expansion facility and Canada Place, and upgrades to the existing facility at Canada Place is \$883.2 million, and is to be funded as follows:

- Expansion Facility - \$808.4 million to be funded by the Government of Canada (\$202.5 million), the Province of British Columbia (up to \$485.9 million), Tourism Vancouver (\$90 million) and a minimum of \$30 million from commercial opportunities.
- Connector - \$38.6 million to be funded by the Government of Canada (\$20 million) and the Province of British Columbia (\$18.6 million).
- Upgrades to existing facility - \$36.2 million to be funded by the Province of British Columbia.

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

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.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

5) Investments

	March 31 2008	March 31 2007
<i>Investments maturing < 90 days:</i>		
Cash	1	2
Canadian treasury bills with interest rates of 3.00% (4.18% in Fiscal Year 06/07).	19,412	912
Government and corporate bonds with interest rates between 3.75% and 6.00% (3.00% in Fiscal Year 06/07).	37,172	1,846
Strip coupons with interest rates of up to 3.18%	1,993	-
<i>Subtotal</i>	58,578	2,760
<i>Other Investments:</i>		
Government and corporate bonds with interest rates of between 4.30% and 4.50% (2.75% to 6.00% in Fiscal Year 06/07).	20,083	126,354
Strip coupons (4.13% in Fiscal Year 06/07).	-	16,341
<i>Subtotal</i>	20,083	142,695
Total fair value	78,661	145,455
Book value	78,769	145,349
Accumulated other comprehensive income	(108)	-

As a result of adopting the new accounting policy for Financial Instruments effective April 1, 2007 on a prospective basis, investments at March 31, 2008 are reported at their fair values. However, for comparability purposes, investments previously reported at cost at March 31, 2007, have been restated to their fair values. The amount by which the fair values differ from cost is \$106 thousand.

6) Accounts Receivable

	March 31 2008	March 31 2007
Trade	642	3
Interest	885	114
GST	3,303	880
Due from Province of BC	-	30,000
Due from Province of BC (Tourism Vancouver)	-	7,400
	4,830	38,397

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

7) 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 (\$202.5 million for the Expansion facility and \$20 million for the Connector).

At March 31, 2008, the Corporation has recovered \$199.0 million of the \$207.9 million in total claims submitted for recovery of paid eligible costs (\$194.3 million of \$202.5 million received for Expansion claims and \$4.7 million of \$5.4 million received for Connector claims).

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, 2008, the Corporation has recovered \$1.3 million of the \$1.8 million total submitted claims for eligible costs under this agreement.

	March 31 2008	March 31 2007
Infrastructure Canada:		
Total claims submitted	207,859	126,516
Payments received	199,019	122,247
Claims receivable	8,840	4,269
Accrued (unpaid) eligible costs	653	7,098
Receivable from Infrastructure Canada	9,493	11,367
Western Economic Diversification Canada:		
Total claims submitted	1,786	954
Payments received	1,297	946
Claims receivable	489	8
Accrued (unpaid) eligible costs	-	391
Receivable from WED	489	399
Total due from Government of Canada	9,982	11,766

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

8) Capital Assets

	March 31, 2008			March 31 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	38,646	-	38,646	38,646
Furniture and equipment	55	55	-	5
Computer hardware/software	267	244	23	2
Construction-in-progress	488,297	-	488,297	245,474
	527,265	299	526,966	284,127

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 City of Vancouver has finalized consolidation of all the Corporation's existing lands (Parcels D, E, Water Lot 23 and Water Lot 22) into one new parcel (Lot 1). To facilitate this consolidation, the Corporation and City of Vancouver agreed to transfer a portion of the City's road dedications through the Corporation's lands, in exchange for the westerly portion of Lot 22. The transfer of ownership of the western portion of Lot 22 to the City and the site consolidation of the Corporation's lands were completed in July 2007.

Construction-in-progress is net of interest earned of \$19.1 million (\$11.5 million at March 31, 2007). \$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 is also reflected in construction in progress and in contributed surplus (Note 13).

9) Accounts Payable

	March 31 2008	March 31 2007
Trade	24,151	14,469
Lien holdbacks	18,948	5,550
Due to related parties	76	68
	43,175	20,087

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

10) Deferred Revenue

	March 31 2008	March 31 2007
Bell Canada	10,000	5,000
Forestry Innovation Investment Ltd.	4,000	4,000
Unearned lease revenue	4	2
Total deferred revenue	14,004	9,002
Less: revenue generation expenses to date	2,233	2,105
Net deferred revenue	11,771	6,897

11) Deferred Contributions – Other

Contributions received from other parties are as follows:

	March 31 2008	March 31 2007
<i>Expansion Project</i>		
Government of Canada (INFC)	208,513	133,614
Province of British Columbia (Tourism Vancouver)	82,600	57,900
	291,113	191,514
<i>Ancillary Projects</i>		
Government of Canada (WED)	1,786	1,345
Other cost recoveries	403	-
	2,189	1,345
Total deferred contributions - other	293,302	192,859

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.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

13) Contributed Surplus

The Corporation received contributions as follows:

	March 31 2008	March 31 2007
Province of British Columbia	269,352	269,352
Province of British Columbia (VTCCA pipe)	3,148	3,148
	272,500	272,500

14) Accumulated Other Comprehensive Income

	March 31 2008	March 31 2007
Accumulated other comprehensive income-April 1, 2007	-	-
Transitional adjustment	106	-
Accumulated other comprehensive income-April 1, 2007 restated	106	-
Unrealized loss on available-for-sale investments	(214)	-
Accumulated other comprehensive income	(108)	-

Effective April 1, 2007, the Corporation adopted two new accounting standards (Note 2) that were issued by the Canadian Institute of Chartered Accountants ('CICA'): Comprehensive Income ('Section 1530') and Financial Instruments – Recognition and Measurement ('Section 3855').

These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. In accordance with transitional rules resulting from this change in accounting policy, a one-time transitional adjustment of \$106 thousand has been applied to the opening balance of accumulated other comprehensive income, to account for the difference between the carrying value and fair value of investments as at April 1, 2007.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2008

(tabular amounts in \$000s)

15) Commitments

a) Construction-in-progress

As at March 31, 2008, the Corporation is committed to future expenditures of approximately \$207.5 million (\$206.0 million at March 31, 2007) 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 2008	March 31 2007
Year ending March 31, 2009	165	160
2010	1	1

16) 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, 2008
<u>Department of Fisheries and Oceans Canada:</u>		
Habitat compensation and monitoring	\$100,000	September 3, 2008

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

17) Comparative Figures

Certain 2007 figures have been reclassified to conform with the current period.