

B.C. PAVILION CORPORATION

FINANCIAL STATEMENTS

For the Year Ended March 31, 2013



Financial Statements March 31, 2013

B.C. Pavilion Corporation

Statement of Management Responsibility

The financial statements of the B.C. Pavilion Corporation have been prepared by management in accordance with Canadian public sector accounting standards and provincial reporting legislation, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Systems of internal control are developed and maintained by management to provide reasonable assurance that reliable information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The B.C. Pavilion Corporation Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board and its Finance and Audit Committee. The Board reviews internal financial statements at each meeting and external audited financial statements annually. Significant financial reporting or internal control matters are discussed by the Board and its Audit and Finance Committee prior to their approval of the corporation's financial statements.

The Auditor General of British Columbia conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the B.C. Pavilion Corporation financial statements. The auditors have full and free access to financial management of B.C. Pavilion Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements for B.C. Pavilion Corporation.



Stuart McLaughlin
Vice-Chair



John Harding
Chief Financial Officer

Vancouver, British Columbia
June 5, 2013



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of B.C. Pavilion Corporation, and
To the Minister of Energy and Mines, Province of British Columbia*

I have audited the accompanying financial statements of B.C. Pavilion Corporation (“the entity”), which comprise the statement of financial position as at March 31, 2013, and the statement of operations and changes in accumulated surplus, statement of changes in net financial assets (debt) and statement of cash flows for the year then ended, and significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of B.C. Pavilion Corporation for the year ended March 31, 2013, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 3 to the financial statements, which discloses that the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 23 to the financial statements discloses the impact of these differences.

Victoria, British Columbia
June 6, 2013



Russ Jones, MBA, CA
Auditor General

B.C. Pavilion Corporation
Statement of Financial Position
(in \$000s)

	<i>Note</i>	March 31 2013	March 31 2012
Financial Assets			
Cash and cash equivalents	6	24,111	41,743
Accounts receivable	7	30,361	29,996
Due from government	8	497	6,366
		54,969	78,105
Liabilities			
Accounts payable and accrued liabilities	9	21,201	39,801
Employee leave liability	10	739	936
Deferred revenue	11	43,118	38,557
Deferred contributions – other	12	17,405	19,093
Deferred contributions – government	13,23	1,038,827	1,076,727
Long term debt	14	150,000	150,000
		1,271,290	1,325,114
Net financial assets (debt)		(1,216,321)	(1,247,009)
Non-financial assets			
Tangible capital assets	15	1,305,381	1,346,528
Inventories held for use		59	76
Prepaid expenses	16	1,213	952
		1,306,653	1,347,556
Accumulated surplus	23,25	90,332	100,547
Contingencies and contractual obligations	17		



Stuart McLaughlin
Vice-Chair – Board of Directors



Terry Lyons
Chair – Audit and Finance Committee

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

B.C. Pavilion Corporation
Statement of Operations and Change in Accumulated Surplus
(in \$000s)

	<i>Note</i>	March 31, 2013		March 31
		Budget	Actual	2012
		<i>(Note 21)</i>		Actual
Revenues	25			
Event revenues		47,062	47,812	47,557
Lease revenues		2,340	3,050	2,712
Miscellaneous revenues		4,746	3,437	32,288
Deferred contributions – other		2,726	1,989	3,540
Deferred contributions - government		46,938	49,741	46,923
Interest revenue		20	434	901
		103,832	106,463	133,921
Expenses	18,25			
BC Place Stadium		52,021	51,696	63,434
Vancouver Convention Centre		65,207	64,982	69,013
		117,228	116,678	132,447
Annual operating surplus (deficit)		(13,396)	(10,215)	1,474
Accumulated surplus, beginning of year		100,547	100,547	99,073
Accumulated surplus, end of year		87,151	90,332	100,547

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

B.C. Pavilion Corporation
Statement of Change in Net Financial Assets (Debt)
(in \$000s)

	March 31, 2013		March 31
	Budget	Actual	2012
	<i>(Note 21)</i>		Actual
Annual operating surplus (deficit)	(13,396)	(10,215)	1,474
Acquisition of tangible capital assets	(7,020)	(7,065)	(199,142)
Amortization of tangible capital assets	48,125	48,208	39,680
Loss on sale/disposal of tangible capital assets		4	276
Acquisition of artwork			(693)
Expense of artwork additions			693
	27,709	30,932	(159,186)
Acquisition of supplies inventories		-	(87)
Acquisition of prepaid expense		(4,016)	(15,372)
Consumption of supplies inventories		17	80
Use of prepaid expense		3,755	20,174
		(244)	4,795
Increase in net financial debt	27,709	30,688	(152,917)
Net financial debt – beginning of year		(1,247,009)	(1,094,092)
Net financial debt – end of year		(1,216,321)	(1,247,009)

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

B.C. Pavilion Corporation
Statement of Cash Flows
(in \$000s)

	March 31 2013	March 31 2012
Operating transactions		
Surplus (Deficit) for the year	(10,215)	1,474
<i>Non-cash items included in surplus (deficit):</i>		
Amortization of tangible capital assets	48,208	39,680
Loss on disposal of tangible capital assets	4	276
Amortization of deferred contributions - other	(1,989)	(3,540)
Amortization of deferred contributions – government	(49,741)	(46,923)
Accounts receivable	(365)	(25,325)
Due from government	1,597	11,012
Accounts payable and accrued liabilities	(18,600)	(4,640)
Employee future benefits	(197)	208
Deferred revenue	4,561	5,291
Inventories held for use	17	(7)
Prepaid expenses	(261)	4,801
<i>Cash used in operations</i>	<u>(26,981)</u>	<u>(17,693)</u>
Capital transactions		
Tangible capital assets	(7,065)	(199,142)
<i>Cash used in capital transactions</i>	<u>(7,065)</u>	<u>(199,142)</u>
Financing transactions		
Deferred contributions – other	300	2,211
Deferred contributions – government	11,842	146,532
Due from government	4,272	23,643
Long term debt	-	-
<i>Cash provided for in financing transactions</i>	<u>16,414</u>	<u>172,386</u>
(Decrease)/increase in cash and cash equivalents	(17,632)	(44,449)
Cash and cash equivalents – beginning of year	41,743	86,192
Cash and cash equivalents – end of year	<u>24,111</u>	<u>41,743</u>

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

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

1. Authority and Nature of Operations

B.C. Pavilion Corporation (PavCo) was formed on April 1, 2008 under the *British Columbia Business Corporations Act*, following the amalgamation of the former B.C. Pavilion Corporation and Vancouver Convention Centre Expansion Project Ltd. (VCCEP). PavCo is wholly owned by the Province of British Columbia, and reports to the Legislative Assembly through the Minister of Energy, Mines and Natural Gas. As a provincial crown agency, PavCo is subject to legislative regulations in government reporting Acts which include the *Budget Transparency and Accountability Act* and the *Financial Administration Act*.

PavCo's mandate is to create significant economic and community benefits for the people of British Columbia by developing, marketing and operating iconic world class public convention, sports and entertainment facilities. The corporation owns and operates BC Place Stadium and the Vancouver Convention Centre's west facility. The Corporation operates the Vancouver Convention Centre's east facility under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act.

2. Change in Accounting Policy

On April 1, 2012, PavCo adopted the PSA Handbook Section PS 3450 "Financial Instruments". The new standard includes the requirement for recognition, measurement, presentation and disclosure of financial instruments and is effective for years beginning on or after April 1, 2012. This accounting change had no significant impact on PavCo's financial statements.

3. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to accounting for government transfers as presented in Note 23. Significant accounting policies used in the preparation of these financial statements are:

Financial assets

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts and loans receivable are recorded at cost less the amount of any valuation allowance (bad debt allowance). Valuation allowances are made when collection is in doubt. Changes in valuation allowances are recognized as expenses in the period when the valuation change is made. Interest is only accrued on receivables when collection is certain.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

3. Significant Accounting Policies (cont.)

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Asset costs (excluding land), less any residual value, are amortized over their estimated useful lives to PavCo as follows:

Building and improvements	10 to 50 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement or the term of the lease, straight line
Equipment and other capital assets	1 to 10 years, straight line
Furniture	3 to 20 years, straight line
Vehicles	30% per annum, declining balance
Computer hardware and software	3 to 5 years, straight line

Assets under construction are recorded at cost and include direct costs during development and construction, indirect costs that are directly attributable to the construction or development activity and other carrying costs. When construction is substantially complete or the asset is ready for use, it is subsequently amortized over its estimated useful life.

The corporation has entered into agreements where value-in-kind (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 its applicable tangible capital asset class.

Contributed tangible capital assets are recorded at fair value as of the date of contribution. When fair value of a contributed asset cannot be determined by market or appraisal estimates, the asset is recorded at nominal value.

PavCo reviews the value of its tangible capital assets that are in active service for impairment based on their service potential. Assets are written down when conditions indicate that they no longer contribute to PavCo's ability to provide goods and services.

PavCo does not report the cost of its artwork and theming program in the Statement of Financial Position as artwork is not recognized under public sector accounting standards. All costs associated with developing, constructing, acquiring, installing and securing these assets are expensed when incurred.

Inventories

Inventories consist of minor consumable supplies held for use in the course of operations at PavCo's facilities and are recognized at historical cost.

Prepaid expenses

Prepaid expenses include cash disbursements for facility insurance and future event and operational costs, which will be charged to expense over the periods expected to benefit from it.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

3. Significant Accounting Policies (cont.)

Revenue recognition

Revenues from events held at PavCo's facilities are recognized upon completion of the events. Amounts received in advance of event completion are recorded as deferred revenue.

Non-event related revenues are recognized on an accrual basis and in the period in which the transactions or events that gave rise to the revenues occurred.

Revenues received in advance from lease and business alliance agreements, and expenses incurred to generate them, are deferred and amortized on a straight line basis over the term specified in the agreements.

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

Contributions and transfers that are subject to legislative or contractual stipulations or restrictions on their use are treated as deferred contributions and classified as government or other, and are recognized to revenue in accordance with when their stipulations or restrictions are met.

Funding received for other specific purposes is treated as deferred contributions and recognized in the period that the stipulation or restriction is met.

Funding received for the acquisition of land or a transfer in the form of land, is recognized as revenue in the same period that the asset is acquired.

Deferred Contributions

The value of contributed depreciable tangible capital assets or funding received from government for the purpose of acquiring or developing tangible capital assets for use in providing services, is treated as deferred contributions and is amortized to revenue in the period during which the assets are used to provide those services, at a rate corresponding with the amortization rate for the related tangible capital assets. If the net book value of a depreciable tangible capital asset funded by a deferred contribution is reduced for any reason other than amortization, the proportionate share of the deferred contribution is recognized to revenue during the same period. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished. See Note 23 for the impact of this policy on these financial statements.

Expenses

The cost of all goods consumed and services received during the fiscal year, not related to assets under construction, is expensed. Expenses are reported on an accrual basis.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

3. Significant Accounting Policies (cont.)

Direct costs from events held at the facilities are recognized upon completion of the events. Amounts incurred in advance of event completion are recorded as prepaid expense.

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

Foreign currency transactions

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect on the transaction date. Any foreign currency denominated monetary assets and liabilities are stated in the Statement of Financial Position using the prevailing rate of exchange at the financial statement date.

Financial Instruments - Recognition and Measurement

Section 3450 establishes standards for recognizing and measuring instruments. All financial assets and financial liabilities are measured in the statement of financial position on a fair value basis, as follows:

- Cash is recorded at fair value (fair value measurement hierarchy level one – quoted market prices).
- All other financial instruments are recorded at cost (fair value measurement hierarchy level three – not based on observable market data), which approximates fair value.

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 with over 110,000 active and retired members. 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.

An actuarial valuation of the plan every three years assesses its financial position. The most recent actuarial valuation, as at March 31, 2011, disclosed an overall actuarial deficit of \$275 million for basic pension benefits, for the entire Public Service Pension Plan. In order to fund the liability, both employer and employee rates increased effective April 1, 2012.

Contributions to the Plan by PavCo for fiscal 2013 were \$1.2 million (2012 - \$1.1 million).

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2013 (tabular amounts in \$000s)

4. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these statements. Actual results could differ from these estimates.

Management has made estimates for valuation allowances on receivables, accrued liabilities and on the expected timing of future expenditures related to construction commitments (Note 17).

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2013 (tabular amounts in \$000s)

5. Government Partnership

PavCo has partnered with the Greater Vancouver Convention and Visitors Bureau and the Vancouver Hotel Destination Association to create the Convention Development Fund (CDF) to provide incentives to convention groups in order to attract and secure convention business which is mutually beneficial to the parties. PavCo's contribution to the CDF constitutes an investment in a government partnership. Included in the corporation's financial statements is PavCo's proportionate interest in the partnership, based on its contributions to the CDF (2013 – 11.7%; 2012 – 16.9%):

Statement of Financial Position	March 31 2013	March 31 2012
Cash	768	800
Deferred contributions - government	768	800

Statement of Operations	March 31 2013	March 31 2012
Revenue	6	8
Expense	38	(12)

Statement of Cash Flows	March 31 2013	March 31 2012
Increase (Decrease) in deferred contributions - government	(32)	20
Decrease in accounts payable		20
Increase (Decrease) in cash and cash equivalents	(32)	-

PavCo also has a proportionate interest in the future commitments of the CDF. The corporation's current share of these commitments, to be funded by the CDF, as of March 31, 2013 is:

Fiscal 2014	169
Fiscal 2015	123
Fiscal 2016	23
Fiscal 2017	14
Fiscal 2018	103

6. Cash and Cash Equivalents

	March 31 2013	March 31 2012
Cash	23,343	40,943
Investment in Convention Development Fund	768	800
	24,111	41,743

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

7. Accounts Receivable

	March 31 2013	March 31 2012
Trade	30,418	30,128
Less: provision for doubtful accounts	(57)	(132)
	30,361	29,996

8. Due from Government

	March 31 2013	March 31 2012
Federal government	497	2,094
Province of British Columbia	-	4,272
	497	6,366

Amounts due from the federal government represent reimbursement for harmonized sales tax. Amounts due from the Province of British Columbia are contributions for sustaining operations and construction of tangible capital assets.

9. Accounts Payable and Accrued Liabilities

	March 31 2013	March 31 2012
Trade accounts payable and accrued liabilities	18,726	37,218
Builder's lien holdbacks	2,475	2,583
	21,201	39,801

10. Employee Leave Liability

Employee leave liability represents the accumulated vacation entitlement that PavCo owes its employees for vacation not yet taken.

11. Deferred Revenue

	March 31 2013	March 31 2012
Unearned lease revenues	35,078	32,011
Unearned event revenue and deposits	8,040	6,546
	43,118	38,557

Unearned lease revenue represents funds received in advance from lease and business alliance agreements, and are recognized in accordance to the terms specified in those agreements. The terms of the business alliance agreements range from 10 years to 50 years.

Event revenues and deposits are receipts in advance of scheduled event dates and are deferred until completion of the event.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

12. Deferred Contributions – Other

	Balance April 1 2012	Receipts during year	Transferred to revenue	Balance March 31 2013
Other Contributions	19,093	300	(1,988)	17,405

	Balance April 1 2011	Receipts during year	Transferred to revenue	Balance March 31 2012
Other Contributions	20,422	2,211	(3,540)	19,093

Other deferred contributions include contributions, defined by their contractual stipulations, from non-related parties to fund major improvements to or the acquisition of capital assets. Included in other deferred contributions are value-in-kind contributions of tangible capital assets. Contributions are amortized to revenue in the period during which the related assets are used to provide those benefits, at the same rate corresponding to the amortization rate for the related tangible capital assets.

13. Deferred Contributions – Government

Government contributions are funding transfers which contain eligibility criteria and legislative or contractual stipulations with respect to their use. PavCo has received funding for asset acquisition and capital construction projects at PavCo's facilities as well as funding to support ongoing operations and for other specified purposes as follows:

	Balance April 1 2012	Receipts during year	Transferred to revenue	Balance March 31 2013
Government of Canada	210,960	-	(4,557)	206,403
Province of British Columbia	865,767	11,842	(45,185)	832,424
	1,076,727	11,842	(49,742)	1,038,827

	Balance April 1 2011	Receipts during year	Transferred to revenue	Balance March 31 2012
Government of Canada	215,516	-	(4,556)	210,960
Province of British Columbia	761,604	146,532	(42,369)	865,767
	977,120	146,532	(46,925)	1,076,727

Contributions from the Government of Canada is funding for the construction of the Vancouver Convention Centre's west facility and the connector between the east and west facility. Federal funding for the Vancouver Convention Centre's west facility includes the construction of the waste water treatment facility.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

13. Deferred Contributions – Government (cont.)

PavCo received contributions from its shareholder, the Province of British Columbia, for capital and operating purposes, and is segregated based on shareholder direction on the use of funds.

Government contributions for capital are amortized to revenue in the period during which the assets are used to provide those services, at a rate corresponding with the amortization rate for the related tangible capital assets. Other government contributions are recognized when their legislative or contractual stipulations are met.

14. Long-term Debt

	March 31 2013	March 31 2012
Province of British Columbia	150,000	150,000

In fiscal 2010, PavCo entered into a long-term loan agreement with the Province of British Columbia to provide financing for the construction of the retractable roof and refurbishment upgrades at BC Place Stadium. PavCo received the balance of the loan in fiscal 2011.

Under the terms of the loan agreement, the repayable loan is non-interest bearing during the construction and start-up period. Commencing April 2, 2013, PavCo will repay the loan by providing semi-annual blended payments of principal and interest (fixed interest rate at 4.89%) until fiscal 2049.

The current repayment schedule reflects loan payments by PavCo of \$4.5 million for the initial and final repayment fiscal years (2014 and 2049), and \$9.0 million for fiscal years 2015 through 2048.

The loan is secured by the assets of BC Place Stadium and the Vancouver Convention Centre.

15. Tangible Capital Assets

	BC Place	Vancouver Convention Centre⁽¹⁾	March 31 2013	March 31 2012
Land	31,292	41,442	72,734	72,734
Buildings and improvements	483,142	659,523	1,142,665	1,172,081
Leasehold improvements		30,880	30,880	30,010
Equipment	32,820	4,153	36,973	46,491
Furniture and fixtures	20,195	1,758	21,953	25,052
Computer hardware/software	105	71	176	160
Total	567,554	737,827	1,305,381	1,346,528

(1) Includes corporate office assets

PavCo holds a variety of art pieces at its facilities however it does not recognize the cost or value of artwork in its financial statements. All costs of developing, constructing, acquiring, installing and securing the pieces have been expensed. The corporation has title to most pieces in the program, and is responsible for the preservation and protection of all pieces.

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2013 (tabular amounts in \$000s)

The Vancouver Convention Centre's comprehensive art program, which was produced as part of the west facility expansion, includes various paintings, sculptures, First Nations pieces, and other items. The historical cost of these art pieces at March 31, 2013 is \$6.2 million (\$6.2 million at March 31, 2012).

15. Tangible Capital Assets (cont.)

As part of the BC Place revitalization project, PavCo developed and re-constructed Terry Fox plaza to showcase the new Terry Fox memorial sculptures. The historical cost for the Terry Fox memorial sculptures is \$0.6 million (\$0.6 million at March 31, 2012).

The corporation uses the historical cost value of the art pieces for insurance purposes, unless appraisal values are available.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

15. Tangible Capital Assets (cont.)

	Land	Buildings and improvements	Leasehold Improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware & software	2013
Cost:								
Opening balance	72,734	1,270,723	37,229	66,534	32,167	25	2,166	1,481,578
Additions		3,965	2,713	871	218		128	7,895
Disposals and adjustments		217	(97)	(1,822)			(10)	(1,712)
Closing balance	72,734	1,274,905	39,845	65,583	32,385	25	2,284	1,487,761
Accumulated amortization:								
Opening balance	-	(98,642)	(7,219)	(20,043)	(7,115)	(25)	(2,006)	(135,050)
Amortization expense		(33,876)	(1,843)	(9,061)	(3,317)		(111)	(48,208)
Effect of disposals and adjustments		278	97	494			9	878
Closing balance	-	(132,240)	(8,965)	(28,610)	(10,432)	(25)	(2,108)	(182,380)
Net book value	72,734	1,142,665	30,880	36,973	21,953	0	176	1,305,381
	Land	Buildings and improvements	Leasehold Improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware & software	2012
Cost:								
Opening balance	71,260	1,132,547	36,988	30,483	10,399	49	2,160	1,283,886
Additions	1,474	138,543	241	36,377	22,395	-	112	199,142
Disposals and adjustments	-	(367)	-	(326)	(627)	(24)	(106)	(1,450)
Closing balance	72,734	1,270,723	37,229	66,534	32,167	25	2,166	1,481,578
Accumulated amortization:								
Opening balance	-	(70,892)	(5,344)	(13,810)	(4,691)	(45)	(1,761)	(96,543)
Amortization expense	-	(27,909)	(1,875)	(6,966)	(2,578)	(3)	(349)	(39,680)
Effect of disposals and adjustments	-	159	-	733	154	23	104	1,173
Closing balance	-	(98,642)	(7,219)	(20,043)	(7,115)	(25)	(2,006)	(135,050)
Net book value	72,734	1,172,081	30,010	46,491	25,052	-	160	1,346,528

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

15. Tangible Capital Assets (cont.)

(i) Contributed Assets

The corporation received contributed assets during the fiscal 2012 which were recognized at fair value and are included in the following asset classes. No amounts were received in fiscal 2013.

	March 31 2013	March 31 2012
Land	-	1,474
Equipment	-	500
	-	1,974

In fiscal 2012 the City of Vancouver enacted zoning for certain lands to the west of BC Place resulting in a minor property transfer (Terry Fox Way) to the corporation, and BC Place received contributed kitchen and concessionary equipment as part of an operating agreement with a supplier.

(ii) Work in Progress

During fiscal 2012, PavCo completed its refurbishment project at BC Place Stadium within its \$563.0 million budget. The project included a new retractable roof, significant structural upgrades and interior refurbishments. The stadium re-opened on September 30, 2011. Development and construction costs associated with the refurbishment program were treated as work in progress, and recorded at cost with no amortization until the asset was substantially complete and ready for use.

Development and construction costs associated with the completion of the seawall along the west side of the Vancouver Convention Centre are treated as work in progress and are recorded at cost with no amortization until the asset is substantially complete or ready for use. At March 31, 2013, work in progress consisted of minor interior renovations and implementation of new computer hardware.

Work in progress included in asset cost is as follows:

	Buildings and improvements	Leasehold Improvements	Computer Hardware	2013
BC Place Stadium	19			19
Vancouver Convention Centre	1,138	945	33	2,116
	1,157	945	33	2,135

	Buildings and improvements	Leasehold Improvements	Computer Hardware	2012
BC Place Stadium	50	-	-	50
Vancouver Convention Centre	65	-	-	65
	115	-	-	115

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

16. Prepaid Expenses

Prepaid expenses reflect prepayments for event and operational requirements.

	March 31 2013	March 31 2012
Event and operations prepayments	1,213	952

17. Contingencies and Contractual Obligations

Contingent assets

PavCo holds an interest in a parcel of land in Surrey, British Columbia. Under the terms of the agreement, if the land were to be sold or redeveloped before March 2016, 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.

Contingent liabilities

- a) During construction of the upgrades to BC Place grease from cables leaked onto the roof. PavCo and its general contractor jointly purchased Course of Construction insurance and have put its insurers on notice of a claim for damage to the roof. Mediation between the Course of Construction insurers, PavCo, the general contractor, and sub-contractors has been scheduled for May 2013. The outcome of mediation and other possible actions are unknown at this time. The amount, if any, of repair costs to be borne by PavCo cannot be determined at this time.
- b) The corporation has issued a letter of credit to the Department of Fisheries and Oceans Canada with respect to a five-year habitat compensation and monitoring program arising from the Vancouver Convention Centre west expansion development. The letter of credit is valued at \$100 thousand, and includes an annual auto-renewal clause, unless cancelled prior to the expiry date of November 19, 2013. PavCo is liable for remediation of the habitat program, if monitoring shows negative results. At March 31, 2013, the corporation has successfully completed its fourth year of the monitoring program with no required remediation to date.
- c) PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that may exist at its facilities. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to the corporation.
- d) The corporation is named in various legal actions resulting from operations at PavCo's facilities. No determination can be made on the eventual outcome or disposition of the legal actions. PavCo does not expect the outcome of any proceedings, individually or in the aggregate, to have a material impact on the corporation's financial position.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

17. Contingencies and Contractual Obligations (cont.)

Contractual obligations

a) Operating leases

The corporation is committed to payments under several operating leases and maintenance agreements, the longest of which extends to 2018. These represent total commitments as follows:

Fiscal 2014	852
Fiscal 2015	403
Fiscal 2016	230
Fiscal 2017	226
Fiscal 2018 and beyond	13

b) Construction

PavCo is committed to completing upgrades and renovations with respect to its major capital projects, within the approved project budgets.

At March 31, 2013, the Corporation has committed to future expenditures under contracts currently entered into with respect to remaining construction obligations as follows:

Fiscal 2014	875
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c) Redevelopment

On November 29th, 2011 the City of Vancouver Council enacted zoning, as approved at Public Hearing on April 19, 2011, for certain lands on the west side of BC Place. The City of Vancouver acquired lands between Expo Boulevard and Pacific Boulevard for the construction of an extension to Smithe Street (Smithe Street Extension), and transferred its surplus lands between the Smithe Street Extension and BC Place to PavCo (including Terry Fox Way). Under the rezoning obligations, PavCo is required to provide 300 parking stalls for public hourly use in the first development on the lands.

Under separate Agreements, PavCo is also obligated to bear the costs of remediation of soils beneath the Smithe Street Extension and the development lands, the costs of installation of City services under the Smithe Street Extension, and the construction of the Smithe Street Extension to its west curb line. The costs of these obligations and their completion dates have not been determined.

In addition, PavCo entered into an Updated Master Development Agreement with a third party who plans to develop certain land on the west side of BC Place. The Agreement has no financial impact on the March 31, 2013 financial statements.

B.C. Pavilion Corporation
Notes to the Financial Statements
For the year ended March 31, 2013 (tabular amounts in \$000s)

18. Expenses by Object

The following summarizes expenses by object:

	2013 Budget	2013 Actual	2012 Actual
Event direct costs	25,224	27,162	27,314
Salaries, wages and benefits	16,242	16,189	15,526
Operating expenses	16,012	14,141	14,707
General and administration	5,710	4,420	4,941
Business development	2,082	4,024	2,421
Professional consulting fees	1,833	2,534	2,857
Redevelopment	2,000	-	25,001
Amortization	48,125	48,208	39,680
	117,228	116,678	132,447

19. Related Party Transactions

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.

20. Valuation Allowance

Valuation allowances are included in 'General and administration' expenditures (Note 18), and represent the write-down of assets and liabilities in the statement of financial position.

	BC Place	Vancouver Convention Centre	2013	2012
Accounts receivable	13	(53)	(40)	99

21. Budgeted Figures

Budgeted figures have been provided for comparison purposes and are derived from the estimates provided in the Corporation's 2012/13 Annual Service Plan report which was approved by PavCo's Board of Directors.

22. Comparative Numbers

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

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2013 (tabular amounts in \$000s)

23. Impact of Accounting for Government Transfers in Accordance with Section 23.1 of the *Budget Transparency and Accountability Act*

As a provincial crown agency, PavCo is subject to reporting under the *Budget Transparency and Accountability Act* ('Act') as noted in Note 1 (authority and nature of operations) and Note 3 (significant accounting policies). Section 23.1 of the Act and its related regulations requires the corporation to recognize government transfers for capital asset acquisition or development into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the corporation's financial statements is as follows:

At March 31, 2012

Increase in accumulated operating surplus	(1,064,601)
Decrease in deferred contributions - government	1,064,601

For the year ended March 31, 2013

Decrease in operating surplus	25,774
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At March 31, 2013

Increase in accumulated operating surplus	(1,038,827)
Decrease in deferred contributions - government	1,038,827

24. Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, due from government, accounts payable and accrued liabilities, employee leave liability, and long term debt.

PavCo is exposed to various risks related to its financial instruments. It is management's opinion that the corporation is not exposed to significant market, liquidity or credit risk arising from these financial instruments.

PavCo's risk management objective when it invests in financial instruments is to ensure that any investments are in quality securities so as to safely guard the assets of the shareholder, and enable the corporation to continue operations as a going concern.

Market Risk - Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect PavCo's income or the value of its financial instruments.

PavCo's exposure to currency risk is only related to the value of foreign exchange transactions in the normal course of business, and manages this risk by minimizing the amount of transactions in foreign funds.

B.C. Pavilion Corporation

Notes to the Financial Statements

For the year ended March 31, 2013 (tabular amounts in \$000s)

PavCo is not subject to interest rate risk on its long term debt as a fixed rate is provided for in the loan agreement which eliminates fluctuations in the value of this financial instrument during the repayment period.

24. Financial Instruments (cont.)

Liquidity Risk - Liquidity risk is the risk that PavCo will have difficulty in meeting its financial obligations when they come due.

PavCo manages liquidity risk by continually monitoring cash flows, and by maintaining the ability to borrow funds from its shareholder.

Credit Risk - Credit risk is the risk of financial loss to PavCo if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

PavCo's exposure to credit risk is only related to the value of accounts receivable in its normal course of business, and manages this risk by minimizing the amount of transactions which require recovery. The corporation continually monitors and manages the collection of receivables from other customers.

25. Segmented Information

PavCo reports segmented information by its operating divisions: BC Place Stadium, the Vancouver Convention Centre and Corporate Services. The facilities, BC Place and the Vancouver Convention Centre, market, sell and manage space for conventions, trade and consumer shows, entertainment, sports and other events. PavCo's Corporate Services division provides the corporation's governance and consolidated reporting, and is allocated equally to its facilities.

The segmented information provided is consistent with the accounting policies provided with PavCo's financial statements as disclosed in Note 3. Revenues, expenses and tangible capital assets by facility are provided in the following tables:

	<u>BC Place⁽¹⁾</u>		<u>Vancouver Convention Centre⁽¹⁾⁽²⁾</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Revenues						
Event revenues	10,572	5,470	37,240	42,087	47,812	47,557
Lease revenues	36	9	3,014	2,703	3,050	2,712
Miscellaneous revenues ⁽³⁾	3,307	32,128	130	160	3,437	32,288
Deferred contributions – other	1,036	2,140	953	1,400	1,989	3,540
Deferred contributions - government	27,067	24,822	22,674	22,101	49,741	46,923
Interest revenue	213	339	221	562	434	901
	42,231	64,908	64,232	69,013	106,463	133,921
Expenses						
Event direct costs	6,257	3,109	20,905	24,205	27,162	27,314
Salaries, wages and benefits	7,517	7,237	8,672	8,289	16,189	15,526
Operating expenses	4,772	4,743	9,369	9,964	14,141	14,707
General and administration	1,768	1,930	2,653	3,011	4,420	4,941
Business development	3,369	1,557	655	864	4,024	2,421
Professional consulting fees	1,420	1,703	1,113	1,154	2,534	2,857
Redevelopment ⁽⁴⁾	-	25,001	-	-	-	25,001
Amortization	26,593	18,154	21,615	21,526	48,208	39,680
	51,696	63,434	64,982	69,013	116,678	132,447
Surplus (deficit) for the period	(9,465)	1,474	(750)	-	(10,215)	1,474

(1) Corporate office revenues and expenditures have been allocated equally between PavCo's facilities

(2) PavCo's proportionate share of the Convention Development fund is consolidated to Vancouver Convention Centre operations

(3) Miscellaneous revenues include monies received outside of the course of normal operations.

(4) Redevelopment costs are outside of normal operating expenses and include the write down of the temporary facility at Empire Field, and expenses associated with the redevelopment of lands to the west of BC Place

25. Segmented Information (cont.)

BC Place	Buildings and		Furniture and		Computer hardware and		2013	2012
	Land	improvements	Equipment	fixtures	Vehicles	software		
Cost:								
Opening balance	31,292	548,397	53,381	22,975	-	540	656,585	460,439
Additions		2,676	653	214		62	3,605	197,517
Disposals and adjustments		217	(1,822)			(10)	(1,615)	(1,371)
Closing balance	31,292	551,290	52,212	23,189	-	592	658,575	656,585
Accumulated amortization:								
Opening balance	-	(50,902)	(12,535)	(1,344)	-	(427)	(65,208)	(48,152)
Amortization expense		(17,523)	(7,350)	(1,650)		(70)	(26,593)	(18,153)
Effect of disposals and adjustments		277	493			10	780	1,097
Closing balance	-	(68,148)	(19,392)	(2,994)	-	(487)	(91,021)	(65,208)
Net book value – March 31, 2013	31,292	483,142	32,820	20,195		105	567,554	
Net book value – March 31, 2012	31,292	497,495	40,846	21,631	-	113		591,377

During fiscal 2012, PavCo completed its refurbishment project at BC Place Stadium within its \$563.0 million budget. The project included a new retractable roof, significant structural upgrades, exterior and interior refurbishments. The stadium re-opened on September 30, 2011.

Development and construction costs associated with the refurbishment program were treated as work in progress, and recorded at cost with no amortization until the asset was substantially complete and ready for use. Total asset cost includes work in progress allocated as follows:

BC Place – work in progress	Buildings and improvements	Equipment	Furniture and fixtures	Total work in progress
Total costs – March 31, 2013	19			19
Total costs – March 31, 2012	50	-	-	50

25. Segmented Information (cont.)

Vancouver Convention Centre ⁽¹⁾	Land	Buildings and improvements	Leasehold Improvement s	Equipment	Furniture and fixtures	Vehicles	Computer hardware and software	2013	2012
Cost:									
Opening balance	41,442	722,325	37,229	13,152	9,192	25	1,627	824,992	823,446
Additions		1,289	2,713	219	4		66	4,291	1,624
Disposals and adjustments			(97)					(97)	(78)
Closing balance	41,442	723,614	39,845	13,371	9,196	25	1,693	829,186	824,992
Accumulated amortization:									
Opening balance	-	(47,738)	(7,219)	(7,508)	(5,772)	(25)	(1,580)	(69,842)	(48,391)
Amortization expense		(16,353)	(1,843)	(1,710)	(1,666)		(42)	(26,614)	(21,527)
Effect of disposals and adjustments	-		97					97	76
Closing balance	-	(64,091)	(8,965)	(9,218)	(7,438)	(25)	(1,622)	(91,359)	(69,841)
Net book value – March 31, 2013	41,442	659,523	30,880	4,153	1,758	-	71	737,827	
Net book value – March 31, 2012	41,442	674,587	30,010	5,645	3,420	-	47		755,151

(1) Includes corporate office assets with a total net book value of \$5 thousand at March 31, 2013 (\$30 thousand at March 31, 2012)

PavCo's lease agreement with Canada Place Corporation for the Vancouver Convention Centre's east facility is for a 20-year term expiring in 2027. It is 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 tangible capital assets of the Corporation. Modifications and renovations to the east facility were substantially completed in fiscal 2011. The Vancouver Convention Centre's west facility, opened on April 3, 2009, and asset cost includes direct costs of construction and an apportioned amount of overhead costs directly attributable to its construction including capitalized interest earned of \$24.9 million.

25. Segmented Information (cont.)

At March 31, 2013, development and construction costs associated with the completion of the seawall along the west side of the Vancouver Convention Centre are included in costs. These costs are treated as work in progress and are recorded at cost with no amortization until the asset is substantially complete or ready for use. In addition, minor interior renovations and computer hardware not put into service have been treated as work in progress. The value of this work is as follows:

Vancouver Convention Centre – work in progress	Buildings and improvements	Leasehold Improvements	Computer Hardware	Total work in progress
Total costs – March 31, 2013	1,138	945	33	2,116
Total costs – March 31, 2012	65			65

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