

**B.C. PAVILION CORPORATION**

**YEAR ENDING MARCH 31, 2005**

**STATEMENTS OF FINANCIAL INFORMATION**

**B.C. Pavilion Corporation**  
**Financial Statements**  
March 31, 2005

## B.C. Pavilion Corporation

### Management's Responsibility for Financial Reporting

The accompanying financial statements of B.C. Pavilion Corporation for the year ended March 31, 2005 and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the financial statements for the year ended March 31, 2005 in accordance with Canadian generally accepted accounting principles. A precise determination of certain of the assets and liabilities is dependent on future events and consequently the preparation of the financial statements necessarily involves the use of management's best estimates and judgments. These financial statements present fairly the financial position of B.C. Pavilion Corporation as at March 31, 2005 and the results of operations and the changes in cash flows for the year then ended. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

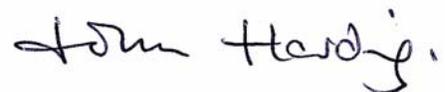
Management is responsible for the preparation, content, consistency, objectivity and integrity of the financial statements and all other financial information contained in this Annual Report. Management has established and maintains a system of internal controls that provides reasonable assurance that the financial records are reliable, form a proper basis for the preparation of the financial statements, and that the assets of the Corporation are properly accounted for and safeguarded. The internal control process includes a Peoples Policy applicable to the conduct of all employees.

The Audit and Finance Committee of the Board of Directors, which is comprised of directors who are not employees of the Corporation, oversees management's discharge of its financial reporting responsibilities. The Audit and Finance Committee meets periodically with management and the external auditors to discuss financial reporting, internal controls and other financial matters. The external auditors have free and independent access to the Audit and Finance Committee without management's presence.

The financial statements have been audited by the Auditor General of British Columbia, in accordance with Canadian generally accepted auditing standards and their report follows.



Doris Bradstreet Daughney  
Chairman of the Board



John Harding  
Chief Financial Officer

# B.C. Pavilion Corporation

## Balance Sheet

(in \$000s)

March 31

2005

2004

### Assets

#### Current

Cash and cash equivalents (Note 3)	3,445	3,525
Accounts receivable	2,425	2,822
Prepaid expenditures	538	420

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6,408 6,767

#### Capital assets (Note 4)

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57,560 133,068

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63,968 139,835

### Liabilities

#### Current

Trade payables and accrued liabilities	4,133	3,844
Current portion of long term debt (Note 5)	75	150
Restructuring costs (Note 6)	-	610
Unearned revenue	2,797	2,735

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7,005 7,339

#### Long-term

Long term debt (note 5)	443	550
Unearned revenue	276	142

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719 692

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7,724 8,031

### Shareholder's Equity

Share capital (Note 7)	-	-
Contributed surplus	31,131	31,131
Deferred government contributions (Note 8)	27,187	102,747
Operations deficiency	(2,074)	(2,074)

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56,244 131,804

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63,968 139,835

Commitments (Note 11)

On behalf of the Board



Doris Bradstreet Daughney  
Chairman of the Board



John Horning  
Chairman of the Audit Committee

See accompanying notes to the financial statements.

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

(in \$000s)

Year Ended March 31	2005	2004
Revenues from operations (Note 9)	29,760	27,335
Direct costs	14,668	12,782
	15,092	14,553
Facility expenses		
Staffing	6,166	6,166
Operating	5,410	5,461
General and administration	2,319	2,175
Business development	1,300	686
Fees	804	833
Depreciation	2,566	3,943
	18,565	19,264
(Loss) before other expenses	(3,473)	(4,711)
Other expenses		
Restructuring costs (Note 6)	357	(181)
Disposition of Tradex facility	-	(2,807)
Impairment loss on capital assets	(75,000)	-
	(74,643)	(2,988)
(Loss) before government contributions	(78,116)	(7,699)
Deferred government contributions (Note 8)	78,116	7,699
Net operating income	-	-
Operations deficiency - beginning of year	(2,074)	(2,074)
Operations deficiency - end of year	(2,074)	(2,074)

See accompanying notes to the financial statements.

# B.C. Pavilion Corporation

## Statement of Cash Flows

(in \$000s)

Year Ended March 31

	2005	2004
<b>Operations</b>		
Loss before government contributions	(78,116)	(7,699)
Depreciation (and unrecoverable net book value of Tradex 2004)	2,566	5,950
Impairment loss	75,000	-
Loss on disposition of assets	7	-
Unearned revenue	196	(362)
Change in non-cash operating working capital (Note 10)	(42)	385
<i>Cash (used in) operations</i>	<u>(389)</u>	<u>(1,726)</u>
<b>Financing</b>		
Contributions from the Province of British Columbia	2,556	2,000
<i>Cash provided by financing activities</i>	<u>2,556</u>	<u>2,000</u>
<b>Investing</b>		
Capital asset additions	(2,065)	(455)
Increase (decrease) in long term debt	(182)	-
<i>Cash (used in) investing activities</i>	<u>(2,247)</u>	<u>(455)</u>
Net decrease in cash and cash equivalents	(80)	(181)
Cash and cash equivalents - beginning of year	<u>3,525</u>	<u>3,706</u>
Cash and cash equivalents - end of year	<u>3,445</u>	<u>3,525</u>

See accompanying notes to the financial statements.

**B.C. Pavilion Corporation**  
**Notes to the Financial Statements - March 31, 2005**  
**(tabular amounts in \$000s)**

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**1. Authority and purpose**

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

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

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

**2. Summary of significant accounting policies**

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

**Short term investments**

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

**Capital assets**

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

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

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

# **B.C. Pavilion Corporation**

## **Notes to the Financial Statements - March 31, 2005**

(tabular amounts in \$000s)

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### **2. Summary of significant accounting policies (continued)**

Assets are depreciated over their estimated useful lives to the Corporation:

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

#### **Government funding**

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

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

Funding for acquisition of not-depreciable capital assets, such as land, is recorded as contributed surplus.

#### **Revenue recognition**

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

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

#### **Contra-transactions**

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

#### **Accounting estimates**

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

# **B.C. Pavilion Corporation**

## **Notes to the Financial Statements - March 31, 2005**

(tabular amounts in \$000s)

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### **2. Summary of significant accounting policies (continued)**

#### **Environmental expenses**

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

#### **Financial instruments**

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

#### **Foreign currency transactions**

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

#### **Impairment of long-lived assets**

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

#### **Related parties**

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

#### **Superannuation fund**

The Corporation and its employees contribute to the Public Service Pension Plan. The Plan is a multi-employer, defined benefit plan. On behalf of the employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position. The actuary does not attribute portions of the surplus to individual employers. B.C. Pavilion Corporation paid \$372 thousand for employer contributions to the Plan in fiscal 2005. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship where the management, risks and benefits are shared between the employers and employees.

**B.C. Pavilion Corporation**  
**Notes to the Financial Statements - March 31, 2005**  
(tabular amounts in \$000s)

**3. Cash and cash equivalents**

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

	<u>2005</u>	2004
Cash	2,287	2,392
Short term	<u>1,158</u>	<u>1,133</u>
	<u>3,445</u>	<u>3,525</u>

**4. Capital assets**

	<u>2005</u>			2004
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Facilities				
BC Place Stadium (note 1)	100,018	49,933	50,085	125,105
Bridge Studios (note 2)	14,540	8,047	6,493	7,106
Vancouver Convention & Exhibition Centre	5,954	4,972	982	857
Corporate Office	80	80	-	-
	<u>120,592</u>	<u>63,032</u>	<u>57,560</u>	<u>133,068</u>

Note 1 – BC Place Stadium carrying cost includes land \$29,818 thousand

Note 2 – Bridge Studios carrying cost includes land \$1,313 thousand

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

**5. Long term debt**

	<u>2005</u>	2004
British Columbia Transportation Financing Authority	518	700
Less: Current portion	<u>75</u>	<u>150</u>
	<u>443</u>	<u>550</u>

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

**B.C. Pavilion Corporation**  
**Notes to the Financial Statements - March 31, 2005**  
(tabular amounts in \$000s)

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**6. Restructuring costs**

In February 2002, the Province of British Columbia Core Review and Deregulation Task Force recommended that changes be made to the service delivery model of PavCo. At that time expenses to cover the costs of severance pay, lease obligations plus other costs were recorded. Subsequently the government reversed this decision.

	<u>2005</u>	<u>2004</u>
Balance beginning of the year	610	631
Addition during the year	-	181
Used during the year	(253)	(202)
Reversal of accrual not required	(357)	-
Balance end of year	<u>-</u>	<u>610</u>

**7. Share capital**

The Corporation has authorized capital of 10,000 common shares without par value of which one share is issued and outstanding. The Minister of Small Business and Economic Development holds the share issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

**8. Deferred government contributions**

	<u>2005</u>			<u>2004</u>
	<u>Capital Assets</u>	<u>Operating</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	102,747	-	102,747	108,446
Contributions received from the Province of British Columbia	1,884	672	2,556	2,000
	<u>104,631</u>	<u>672</u>	<u>105,303</u>	<u>110,446</u>
Allocated to operations:				
To offset depreciation recorded on related capital assets	(2,444)	-	(2,444)	(3,869)
To offset unrecoverable net book value on disposition of Tradex facility	-	-	-	(2,007)
To record write down in value of BC Place Stadium	(75,000)	-	(75,000)	-
To fund current operating deficiency	-	(672)	(672)	(1,823)
	<u>(77,444)</u>	<u>( 672)</u>	<u>(78,116)</u>	<u>(7,699)</u>
Balance, end of year	<u>27,187</u>	<u>-</u>	<u>27,187</u>	<u>102,747</u>

**B.C. Pavilion Corporation**  
**Notes to the Financial Statements - March 31, 2005**  
(tabular amounts in \$000s)

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<b>9. Revenue from operations by business segment</b>	<b>2005</b>	<b>2004</b>
Vancouver Convention & Exhibition Centre	<b>16,912</b>	14,530
BC Place Stadium	<b>9,414</b>	8,244
Bridge Studios	<b>3,352</b>	3,789
Tradex (discontinued December 31, 2003)	-	670
Corporate Office	<b>82</b>	102
	<b>29,760</b>	27,335

<b>10. Change in non-cash operating working capital</b>	<b>2005</b>	<b>2004</b>
Receivables	<b>397</b>	(959)
Prepays	<b>(118)</b>	226
Trade payables and accrued liabilities	<b>289</b>	1,139
Restructuring costs	<b>(610)</b>	(21)
	<b>( 42)</b>	385

**11. Commitments**

The Corporation is committed under long term, non-cancellable operating leases requiring future minimum payments of \$157 thousand to December 31, 2005.

**12. Intangible rights**

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

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

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

**13. Environmental costs**

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

## **B.C. Pavilion Corporation**

### **Notes to the Financial Statements - March 31, 2005**

**(tabular amounts in \$000s)**

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#### **14. Comparative figures**

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

**B.C. PAVILION CORPORATION  
YEAR ENDING MARCH 31, 2005**

**SCHEDULE OF INDEMNITIES**

<b>Name of Person / Company Indemnified</b>	<b>Risk Management Branch File No.</b>	<b>Date Issued</b>
Her Majesty The Queen in Right of Canada represented by the Minister of Transport	96015	Sep. 13/91
CAPA Ventures Ltd.	92036	Aug. 8/91
Non-Union Employees of B.C. Pavilion Corporation	93028	Sep./92
Unionized Employees of B.C. Pavilion Corporation	970002	June 1/94
Her Majesty The Queen in Right of Canada represented by the Minister of Transport	96013	Sep. 15/94
Vancouver Ticket Centre Ltd. d.b.a. Ticketmaster	96012	Sep. 22/94
Law Brothers Productions Canada Inc.	960028	May/95
Her Majesty The Queen in Right of Canada represented by the Minister of Transport	960146	Mar. 1/96
Vancouver Port Corporation	970101	July 21/97
City Of Burnaby	970102	Oct./96
City Of Burnaby	970103	Oct./96
B.C. Tel Communications	970167	Mar./97
B.C. Tel	970168	Mar./97
Her Majesty The Queen in Right of The Province of British Columbia represented by the Minister of Employment and Investment	970169	Mar. 25/97
Telus Mobility	030046	June 13, 2002
City of Abbotsford	040100	Sept 30, 2003

Note: None of the indemnities have expiry dates or limits of amounts of indemnity.

**B.C. PAVILION CORPORATION  
YEAR ENDING MARCH 31, 2005**

**SCHEDULE OF DEBT**

Debt at March 31, 2005 was as follows:

British Columbia Transportation Financing Authority

(in \$ thousands)

Current portion

\$ 75

Long-term portion

443

Total

\$518

**B.C. PAVILION CORPORATION  
YEAR ENDING MARCH 31, 2005**

**SCHEDULE OF SEVERANCE AGREEMENTS**

There was 1 severance agreement under which payment commenced between PavCo and its non-unionized employees during fiscal year 2005.

This agreement represents 6 months compensation.\*\*

\*\* "Compensation" means regular monthly salary

**B.C. PAVILION CORPORATION  
STATEMENT OF FINANCIAL INFORMATION APPROVAL  
YEAR ENDING MARCH 31, 2005**

The undersigned represents the Board of Directors of B.C. Pavilion Corporation, and approves all the statements and schedules included in this Statement of Financial information, produced under the *Financial Information Act*.

A handwritten signature in black ink, appearing to read 'John Horning', with a long horizontal stroke extending to the right.

John Horning  
Director  
September 30, 2005