

**B.C. Pavilion Corporation**  
**Financial Statements**  
March 31, 2006

# 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, 2006 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, 2006 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, 2006 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.

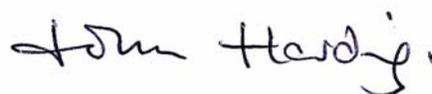
Management is responsible for the preparation, content, consistency, objectivity and integrity of the financial statements and all other financial information contained in this Annual Report. Management has established and maintains a system of internal controls that provides reasonable assurance that 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



Report of the  
Office of the Auditor General  
of British Columbia

To the Members of the Board of Directors of the  
B.C. Pavilion Corporation, and

To the Minister of Tourism, Sport and the Arts  
Province of British Columbia:

We have audited the balance sheet of the *B.C. Pavilion Corporation* as at March 31, 2006 and the statements of operations and operations deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the *B.C. Pavilion Corporation* as at March 31, 2006 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  
April 28, 2006

Errol S. Price, CA  
Deputy Auditor General

# B.C. Pavilion Corporation

## Balance Sheet

(in \$000s)

March 31

2006

2005

### Assets

#### Current

Cash and cash equivalents (Note 3)	3,227	3,445
Accounts receivable	2,342	1,949
Due from Province of British Columbia	2,277	476
Prepaid expenditures	562	538

**8,408**                      6,408

#### Capital assets (Note 4)

**58,084**                      57,560

**66,492**                      63,968

### Liabilities

#### Current

Trade payables and accrued liabilities	3,806	4,133
Current portion of long-term debt (Note 5)	75	75
Unearned revenue	4,086	2,797

**7,967**                      7,005

#### Long-term

Long-term debt (Note 5)	368	443
Unearned revenue	305	276

**673**                      719

**8,640**                      7,724

### Shareholder's Equity

Share capital (Note 7)	-	-
Contributed surplus	31,131	31,131
Deferred government contributions (Note 8)	28,795	27,187
Operations deficiency	(2,074)	(2,074)

**57,852**                      56,244

**66,492**                      63,968

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	2006	2005
Revenues from operations (Note 9)	32,628	29,760
Direct costs	15,604	14,668
	17,024	15,092
Facility expenses		
Staffing	7,311	6,166
Operating	6,055	5,410
General and administration	2,123	2,319
Business development	1,316	1,300
Fees	1,301	804
Depreciation	3,167	2,566
	21,273	18,565
(Loss) before other expenses	(4,249)	(3,473)
Other expenses		
Restructuring costs (Note 6)	-	357
Impairment loss on capital assets	-	(75,000)
	-	(74,643)
(Loss) before government contributions	(4,249)	(78,116)
Deferred government contributions (Note 8)	4,249	78,116
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	2006	2005
<b>Operations</b>		
Loss before government contributions	(4,249)	(78,116)
Depreciation	3,167	2,566
Impairment loss	-	75,000
Loss on disposition of assets	5	7
Unearned revenue	1,318	196
Change in non-cash operating working capital (Note 10)	(2,545)	(42)
<i>Cash (used in) operations</i>	<b>(2,304)</b>	<b>(389)</b>
<b>Financing</b>		
Contributions from the Province of British Columbia	5,857	2,556
<i>Cash provided by financing activities</i>	<b>5,857</b>	<b>2,556</b>
<b>Investing</b>		
Capital asset additions	(3,696)	(2,065)
(Decrease) in long-term debt	(75)	(182)
<i>Cash (used in) investing activities</i>	<b>(3,771)</b>	<b>(2,247)</b>
Net decrease in cash and cash equivalents	<b>(218)</b>	<b>(80)</b>
Cash and cash equivalents – beginning of year	<b>3,445</b>	<b>3,525</b>
Cash and cash equivalents – end of year (Note 3)	<b>3,227</b>	<b>3,445</b>

See accompanying notes to the financial statements.

## 1. Authority and purpose

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

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

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

## 2. Summary of significant accounting policies

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

### Short-term investments

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

### Capital assets

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

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

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

Assets are depreciated over their estimated useful lives to PavCo:

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

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

### **Government funding**

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

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

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

### **Revenue recognition**

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

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

### **Contra-transactions**

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

### **Accounting estimates**

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

### **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.

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

### Impairment of long-lived assets

PavCo 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.

## 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>2006</u>	2005
Cash	<b>3,056</b>	2,287
Short-term investments	<b>171</b>	1,158
	<u><b>3,227</b></u>	<u>3,445</u>

## 4. Capital assets

	<u>2006</u>			2005
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Facilities				
BC Place Stadium (Note 1)	99,625	48,785	<b>50,840</b>	50,085
Bridge Studios (Note 2)	14,676	8,625	<b>6,051</b>	6,493
Vancouver Convention & Exhibition Centre	6,659	5,480	<b>1,179</b>	982
Corporate Office	36	22	<b>14</b>	-
	<u><b>120,996</b></u>	<u><b>62,912</b></u>	<u><b>58,084</b></u>	<u>57,560</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

	<b>2006</b>	2005
British Columbia Transportation Financing Authority	<b>443</b>	518
Less: Current portion	<b>75</b>	75
	<b>368</b>	443

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

## 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.

	<b>2006</b>	2005
Balance beginning of the year	-	610
Used during the year	-	(253)
Reversal of accrual not required		(357)
Balance end of year	-	-

## 7. Share capital

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

## 8. Deferred government contributions

	2006			2005
	Capital Assets	Operating	Total	Total
Balance, beginning of year	27,187	-	27,187	102,747
Contributions received from the Province of British Columbia	3,292	2,565	5,857	2,556
	<b>30,479</b>	<b>2,565</b>	<b>33,044</b>	105,303
Allocated to operations:				
To offset depreciation recorded on related capital assets	(3,007)	-	(3,007)	(2,444)
To record write down in value of BC Place Stadium	-	-	-	(75,000)
To fund current operating deficiency	-	(1,242)	(1,242)	(672)
	<b>(3,007)</b>	<b>(1,242)</b>	<b>(4,249)</b>	(78,116)
Balance, end of year	<b>27,472</b>	<b>1,323</b>	<b>28,795</b>	27,187

## 9. Revenue from operations by business segment

	2006	2005
Vancouver Convention & Exhibition Centre	15,344	16,912
BC Place Stadium	12,713	9,414
Bridge Studios	4,503	3,352
Corporate Office	68	82
	<b>32,628</b>	29,760

## 10. Change in non-cash operating working capital

	2006	2005
Receivables	(393)	873
Due from Province of British Columbia	(1,801)	(476)
Prepays	(24)	(118)
Trade payables and accrued liabilities	(327)	289
Restructuring costs	-	(610)
	<b>(2,545)</b>	(42)

## 11. Intangible rights

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

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

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

## 12. Environmental costs

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

## 13. Related party transactions

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

	<u>2006</u>	<u>2005</u>
Capital and operating funding	5,524	2,556
Signing bonus	333	-
Payment for office and professional services	1,754	1,353
Repayment of long-term debt	75	175

## 14. Subsequent event

Subsequent to year-end the shareholder directed PavCo to sell the assets associated with the operations known as Bridge Studios. Based on prior years results this will result in a reduction in revenue of \$4,503 thousand (2005 - \$3,352 thousand) and expenses of \$2,596 thousand (2005 - \$2,410 thousand). The carrying costs of the capital assets at March 31, 2006 are \$6,051 thousand (2005- \$6,493 thousand).

## 15. Employee benefits plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary has

determined that an increase in contribution rates of 1.88% each, for plan members and employers, is necessary in order for the Plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees have decided that this increase in rates will be introduced effective April 1, 2006.

Contributions to the Plan by PavCo for fiscal 2006 were \$399 thousand (2005 - \$372 thousand).

## **16. Comparative figures**

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

**B.C. PAVILION CORPORATION  
FINANCIAL REPORTING YEAR ENDING MARCH 31, 2006**

**SCHEDULE OF INDEMNIFICATIONS**

Name of Person / Company Indemnified	Risk Management Branch File No.	Date Issued
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**  
**FINANCIAL REPORTING YEAR ENDING MARCH 31, 2006**

**SCHEDULE OF DEBT**

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Debt at March 31, 2006 was as follows:

British Columbia Transportation Financing Authority

(in \$ thousands)

Current portion	\$ 75
Long-term portion	368
Total	<u>\$443</u>

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