



**LWBC**

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BRITISH COLUMBIA INC.**

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## MESSAGE FROM THE CHAIR

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I am pleased to present the 2003/04 Service Plan Report of Land and Water British Columbia Inc. LWBC made a significant contribution to the development of a strong and vibrant Provincial economy in 2003/04 by accelerating access to Crown land and water resources.

LWBC performance was better than expected in core business areas. LWBC performance exceeded expectations in the areas of land sales, tenure revenue and tenure processing efficiency. LWBC opened up investment and business opportunities in 2003/04 by selling \$73.3 million of Crown land and through timely processing of land and water tenure applications and collected \$51 million in land tenure revenue. Ninety-seven per cent of Crown land and water tenures applications were completed within 140 days. LWBC's highly committed workforce is exceeding performance expectations for timely decision-making.

The most important development during 2003/04 was the adoption of a new business model that focuses on investment, security of tenure and service improvements for key sectors and clients. LWBC is making strategic shifts that will position the corporation to leverage investment and to take better advantage of growth opportunities. LWBC is making a transition toward enabling economic development in sectors with high economic potential such as independent power production, aquaculture, all-seasons resorts, aggregates and telecommunications.

Key risks that impacted business in 2003/04 included drought, forest fires, inter-agency coordination and competing resource demands. Progress toward elimination of the backlog of amendments to existing water licences was impeded by drought conditions. LWBC employees spent time resolving water use disputes that resulted from water shortages and played a key leadership role in Province-wide efforts to manage water use in 2003/04.

LWBC will be a driving-force for economic development and investment over the upcoming years and is well-prepared to meet its new goals. LWBC will work with First Nations and will accommodate aboriginal interests as the corporation advances economic development and investment. LWBC will seek to improve customer satisfaction and will redirect its internal capacity and culture toward business needs.



Jon O'Riordan  
Chair

## ACCOUNTABILITY STATEMENT

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The 2003/04 Land and Water British Columbia Inc. (LWBC) Annual Report was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*.

We are accountable for the contents of the report, including the selection of performance measures and the reported results. All significant decisions, events and identified risks, as of June 11, 2004, have been considered in preparing the report.



Jon O'Riordan  
Chair of the Board of Directors



Bill Valentine  
President and Chief Executive Officer

## ORGANIZATION OVERVIEW

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Land and Water British Columbia Inc. (LWBC) manages the allocation of Crown land and water resources on behalf of the Province of British Columbia and its constituents. LWBC ensures the responsible, timely and prosperous use of two of British Columbia's most valuable assets.

LWBC is a Crown corporation, incorporated under the *Business Corporations Act*.<sup>1</sup> The Minister of Sustainable Resource Management holds the corporation's sole share on behalf of the Province.

### ***Vision Statement***

Facilitate economic development, job creation and revenue generation by aggressively pursuing and encouraging investment and optimal use of Crown land and water resources

### ***Mission Statement***

Provide highly responsive access to Crown land and water resources through tenures, licences and land sales.

### ***Mandate***

LWBC developed a new business model in 2003/04, which will position the corporation to fulfill a broader mandate. LWBC will:

- support the economic diversification of rural British Columbia;
- develop a proactive approach to realize land-based investment opportunities;
- increase our sector and project advocacy role;
- improve coordination and consistency;
- reduce decision times and streamline business processes
- create new partnerships with local governments, First Nations and key sectors; and
- continue to protect public safety.

The mission of LWBC, as articulated in the 2004/05–2006/07 Service Plan, is to promote targeted economic development by increasing timely access for key sectors and clients through tenures, licences and an investment model that accelerates sales and revenues. Fulfillment of this mission will help LWBC to become an organization that acts as an advocate for economic development and revenue generation by pursuing and encouraging investment and optimal use of Crown land and water resources.

Key strategic innovations of the business model developed in 2003/04 include:

- creation of specialized business units for key business sectors;
- transition from a “rent collection” focus toward use of Crown land and water resources to leverage investment;
- increasing capacity for market analysis, marketing, inventory development and long-term economic analysis;
- increasing systems capacity to streamline business processes to be more responsive to client needs and create internal efficiencies;

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<sup>1</sup> In October 2002, the legislature of British Columbia passed the *Business Corporations Act*, and in October, 2003, the legislature passed the *Business Corporations Amendment Act, 2003* and *Business Corporations Amendment Act (No. 2), 2003*. This act and amendments replaced the previous *Company Act* and was brought into force by regulation on March 29, 2004.

- realigning resources to focus on corporate and government priorities; and
- enhancing capacity to manage business risks.

The new mandate was adopted in response to customer input and feedback. LWBC has listened to its customers who have requested:

- further streamlining of processes;
- more consistent practices throughout the Province;
- further improvements to coordination with other ministries and public organizations; and
- greater security of tenure.

The new business model will also help LWBC to make a larger contribution to Provincial goals, including development of a strong and vibrant Provincial economy, employment opportunities for British Columbia and generation of necessary revenue to build and sustain high-performing health, education and social welfare systems.

Work began in 2003/04 to implement the new model. Steps initiated include:

- redesign of work processes;
- redesign of the organizational structure;
- development of a new financial model;
- identification of new business opportunities;
- conducting focus groups and interviews with employees;
- identification of capacity gaps and implementation of new resources;
- communication of the new mandate;
- integration of the LWBC transformation and Government-wide initiatives; and
- enhancement of information systems.

Further information about how LWBC will report on performance under the new business model is contained in the Report on Performance section of this report.

## *Values*

1. Accountability: - Delivering on our commitments
  - Focusing on outcomes by taking responsibility for measuring and monitoring our performance against commitments and targets.
2. High quality client service
  - Providing professional and responsive client service at all times; and
  - Continuously improve our service so that clients will realize direct and tangible benefits.
3. Innovative solutions
  - Pursuing innovative approaches to promote investor confidence and long-term business success.
4. Integrity
  - Conducting business with our customers and staff in an environment that is honest, transparent and professional.
5. Efficiency
  - Continuously improve our operational efficiency and cost-effectiveness.

## *Public Purposes Served*

The work of LWBC is carried out to benefit the public:

1. The core business activities of LWBC, including land sales, land tenures and water licensing, make land and water resources available for use by businesses and individuals. Accelerated access to resources enables investment and economic growth. Investment and economic activity lead to job creation and wealth generation for the benefit of British Columbians.
2. Core business activities generate significant dividend and direct revenue for the Province. Provincial revenue is used to fund Provincial programs and to meet the priorities of



British Columbians. Crown revenue is necessary to build and sustain effective Government services.

3. Other programs benefit the public by ensuring that dams are operated safely and that customers of private water utilities have access to reliable and safe water service at fair and reasonable rates.

LWBC's values of service quality, efficiency and innovative solutions assist LWBC in delivering economic benefits to British Columbia. Service quality helps LWBC to find and retain valuable customers. An emphasis on efficiency contributes to timely access to resources and cost-effective revenue generation. Innovation helps to ensure that LWBC's contribution is sustained over the longer term.

LWBC operates with integrity, ensuring that corporate goals are not pursued at the expense of public service values. Emphasis on accountability helps to ensure that LWBC achieves its stated objectives. Accountability helps to ensure that the direction of LWBC has a public benefit and that LWBC achieves its intended objectives.

### ***Agreements, Legislation and Procedures***

LWBC operates as an agent of the Province of British Columbia through a delegation agreement with the Minister of Sustainable Resource Management.

Land management is enabled by the *Land Act*, the *University Endowment Land Act* and the *Ministry of Lands, Parks and Housing Act*. Water management is enabled by the *Water Act*, the *Water Utility Act*, the *Fish Protection Act* and the *Water Protection Act*.

Consideration of asserted aboriginal rights and title is guided by LWBC's Aboriginal Interests Consideration Procedures.

LWBC and its employees work together in accordance with the *Public Service Act* and collective agreements with the Professional Employees Association and the British Columbia Government and Service Employees' Union.

The *Financial Administration Act* and the *Budget Transparency and Accountability Act* guide the financial management and accountability of LWBC.

### ***Major Programs***

#### ***Crown Land Sales***

LWBC identifies, develops and sells Crown land for a variety of uses, including residential, commercial, industrial, agricultural and recreational purposes. In order to maximize financial return, LWBC engages in development and marketing activities including:

- building and matching inventory to market needs;
- identifying marketable properties and development opportunities; and
- making strategic investments to enhance value of properties, including site planning and limited property development.

#### ***Land Tenures and Water Licences***

LWBC currently manages approximately 30,000 land tenures and 43,000 water licences through an integrated land and water tenure management program. LWBC authorizes use of fresh surface water by issuing water licences and authorizes land use by issuing land tenures. LWBC also issued authorizations under the *Water Act* to make changes in and about streams.

### ***Other Programs***

LWBC delivers other programs on behalf of the Province, including:

- A dam safety program that ensures that owners of approximately 2,700 dams comply with the *Dam Safety Regulation*.
- A water use planning program that reviews water licences for major hydropower structures, reviews submitted water use plans, orders implementation of plans, ensures compliance with the ordered plans and manages rental calculations and remissions.
- A utility regulation program that regulates 175 private water utilities to ensure that they provide reliable and safe water service at fair and reasonable rates.
- Management of approximately 10,000 Land Act reserves.

### ***Service Delivery Model***

The core business of LWBC is carried out by LWBC employees based in regional service centres and field offices.

Independent advisors, such as marketing, planning, environmental, and financial advisors, are retained as required. Some support services are obtained through service agreements with ministries and central agencies of Government.

In 2003/04 the corporation was organized in four divisions. The Land and Water Management Division managed land tenures and water licences and the Development and Marketing Division managed land development and sales. Support to these divisions was provided by the Corporate Services Division and by the Strategic Initiatives Division.

LWBC is in the process of reviewing its approach to service delivery in order to

implement its new business model. Enhancements will lead to electronic service delivery and other service improvements for key clients and sectors.

### ***Locations***

Corporate headquarters is in Victoria. Business is conducted throughout the Province from major service centres in Kamloops, Nanaimo, Prince George and Surrey and field offices in Cranbrook, Fort St. John, Penticton, Smithers, Squamish, Victoria and Williams Lake.

### ***Markets Served***

LWBC serves businesses and individuals in a wide variety of sectors. Customers of LWBC range from major industrial users of Crown land and water to private residential users. Major land and water tenure clients include hydroelectric power corporations, telecommunications corporations, oil and gas pipelines and resorts.

Key sectors for economic development and revenue generation include:

- Telecommunications and utilities
- Oil and gas
- Independent power producers
- Aquaculture
- All-seasons resorts
- Tourism and commercial recreation
- Agriculture
- Aggregates

In 2003/04 the business of LWBC was refocused on key sectors, including all-seasons resorts and independent power production.

British Columbia has the climate, scenic landscapes, infrastructure and people to become a world leader in tourism and destination resorts. New all-seasons resort proposals currently under review have the potential to generate economic development

worth over \$1 billion. Expansion of existing facilities is expected to generate \$750 million over the next two to five years.

LWBC is enabling private-sector investment in power generation, including proposed hydroelectric, wind and geothermal facilities. Faster access to Crown land and water resources, combined with open access for power transmission provided by the new BC Transmission Corporation, are creating new opportunities for independent power production.

## **THE YEAR IN REVIEW**

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### ***Goals***

The four goals of LWBC in 2003/04 were to:

1. Contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia
2. Optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness
3. Improve revenue generation and fair return on land and water resources
4. Be a high performing organization that is consistently able to meet or exceed rigorous operational targets

### ***Performance***

LWBC successfully met and exceeded key performance targets for 2003/04:

1. The value of land sales totaled \$73.3 million, exceeding the sales target of \$52.5 million. The estimated economic impacts associated with 2003/04 sales include \$0.73 billion in capital

investment, creation of 2,400 permanent jobs and creation of 5,500 construction jobs.

2. Approximately 97% of new land tenure and water licence applications were processed in under 140 days, exceeding the target of 90%.
3. The water licence application backlog was almost completely eliminated. The backlog was reduced to 22 applications, the lowest level on record.
4. A survey of employees determined that LWBC has a high level of employee engagement and commitment. 72% of LWBC employees expressed an intention to continue working for LWBC; high regard for the corporation; and dedication to doing the best job possible.

### ***Financial Performance***

Gross revenues of \$136.1 million exceed the budget of \$103.6 million by 31%. The dividend paid to the Crown was \$93.0 million, exceeding the budgeted dividend of \$68.8 million by 35%. Expenditures were budgeted at \$31.5 million and came in on budget.

### ***Major Initiatives and Developments***

A new business model was developed for the corporation in 2003/04. This major strategic initiative will prepare LWBC to drive investment and wealth generation, to provide better service to key sectors and customers and to advocate for optimal use of land and water resources.

The new business model will shift the emphasis of LWBC business toward leveraging economic development rather than just rent collection and setting land aside. To accomplish this transition, LWBC

assigned employees to provide specialized services to key sectors including independent power and all-seasons resort sectors. A broader reorganization of the corporation began in the fourth quarter. The reorganization will strengthen LWBC's capacity for business analysis, marketing, inventory development and management of calculated risks. The emerging business model and organizational structure will improve the corporation's ability to meet customer needs and to fulfill Government commitments. To reflect the new business model, the vision, mission, goals and performance measures have been revised in the 2004/05 to 2006/07 Service Plan.

LWBC also initiated projects that make it easier for customers to do business with the corporation, including:

- Beginning a shift away from transactional processes and inconsistent practices toward a more client-focused organization.
- Cutting red tape by completing the three-year deregulation initiative.

- Improving customer access to information by redesigning its web site.
- Simplifying policies and procedures.
- Launching a strategic information management initiative that will guide future systems enhancements and prepare LWBC to deliver more services electronically.

The success of LWBC is driven by the dedication and focus of employees. Research initiatives conducted in 2003/04, including an employee engagement and commitment survey and a customer service study, provide evidence that employee commitment and focus made it possible to exceed timeliness, backlog and revenue targets. The employee engagement survey found that 82% of LWBC employees feel that customer service is the top priority of the corporation. The customer service study, which showed 68% overall satisfaction and 84% satisfaction with 'caring and courtesy' of employees, confirmed that customers appreciate the high level of staff commitment.

## REPORT ON PERFORMANCE

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### *Goal #1*

To contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia.

### *Results*

Service Plan Performance Measures

	<b>Revenue growth generated by Crown land sales (\$million)</b>	<b>Post sales customer satisfaction as measured annually</b>
<b>2001/02 Results</b>	\$26.91	n/a
<b>2002/03 Results</b>	\$34.12	
<b>2003/04 Targets</b>	\$52.5	Establish baseline
<b>2003/04 Results</b>	\$73.3	Baseline established at 61%
<b>2004/05 Targets</b>	\$73.5	10% improvement
<b>2005/06 Targets</b>	\$73.5	10% improvement
<b>2006/07 Targets</b>	\$73.5	5% improvement

### **Impact of Economic Development**

Service Plan Performance Measures

	<b>Capital Investment</b>	<b>Permanent Jobs</b>	<b>Construction Jobs</b>
<b>2003/04 Targets</b>	\$0.73 billion	2,400	5,500
<b>2003/04 Results</b>	\$.4 billion	1,648	5,782

### *Key Activities*

Performance targets for land sales and capital investment were exceeded as a result of development and marketing activities. Activities include site analysis, assessment of land use potential, obtaining approvals and zoning, consultation, development of marketing plans and budgets, preparation of sites for sale and marketing land that is ready for development. In 2003/04, activities included extensive consultation with First Nations and development and use of a targetted marketing, product and sales plan.

Results were achieved in 2003/04 as a result of development of several sites including 82 hectares of residential land at Burke Mountain in Coquitlam, the 23 hectare Black Bear Industrial subdivision in Fort Nelson, and the 5 hectare commercial property at a strategic intersection in Prince George. These transactions will see sites established for new industrial business in the

booming community of Fort Nelson, a new hotel complex and casino complex in Prince George and room for 7,500 new housing units to accommodate up to 24,000 people in the City of Coquitlam.

### ***Reasons for Variance***

#### **Revenue growth generated by Crown land sales**

Results for the “Crown land sales” performance measure totaled \$73.3 million, exceed the 2003/04 target of \$52.5 million by \$20.8 million. The variance is attributable to the sale of an 82 hectare parcel of Crown land for residential development on Burke Mountain in Coquitlam. LWBC is using a phased approach to market land on Burke Mountain. LWBC responded to an opportunity to get a parcel to market in 2003/04 that was larger than initially planned.

#### **Impact on economic development – capital investment**

The result for the “capital investment” performance measure was higher than expected due to stronger than expected land sales. Strong regional real estate markets drove capital investment in 2003/04.

#### **Impact on economic development – permanent jobs**

The result for the “permanent jobs” performance measure was 1,648 jobs created. This was slightly below the target of 2,400 permanent jobs created because residential development made up a large proportion of Crown land sales in 2003/04. Residential development tends to lead to less capital investment and permanent job creation than some other forms of development. Consequently, the estimated impact of land sales in 2003/04 on capital investment and permanent job creation was lower than expected. The target for creation of construction jobs was met.

### ***Source Data***

Crown land sales and tenure revenues were tracked using Canadian Generally Accepted Accounting Principles. Further analysis is contained in the Financial Report section of this document.

Economic impact performance measures are estimates of potential economic impacts based on data provided by the purchaser of each property. The economic impact of land sales is based on the reasonable assumption that a planned expenditure would not occur without a Crown land sale. Capital expenditure includes the total expenditures, including site services and construction of buildings planned over the next three years. Employment is calculated in person years. Note that this performance measure is based on the potential future economic development enabled through Crown land sales, rather than an estimate of value of projects completed by purchasers in 2003/04.

Customer satisfaction was measured by BC Stats using an online survey June 18 to July 2, 2003. The target population for the survey included all LWBC customers, as identified using the land management and water rights databases. Given that most LWBC customers are tenure holders, the target group for the survey included many people who lack first-hand knowledge of LWBC land sales services.



## Goal # 2

Optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness

### Results

Service Plan Performance Measures		
	Processing Efficiency	Customer satisfaction <sup>2</sup>
2003/04 Targets	90% (100% of the time)	Establish baseline and 60% response rate
2003/04 Results	97% (100% of the time)	Baseline established at 68% and 30% response rate
2004/05 Targets	90%	10% improvement and 70% response rate
2005/06 Targets	90%	5% improvement and 75% response rate
2006/07 Targets	90%	5% improvement and 75% response rate

### Key Activities

Accelerating processing time for land tenure and water licence applications was possible due to a high level of employee commitment, and involved the following activities:

- redesign and streamlining of procedures for processing applications;
- integrated processing of Crown land and water applications to eliminate duplication;
- constant monitoring and reporting on progress on a weekly basis;
- constant review and revision of individual work plans; and
- executive and management support for staff decisions.

### Reasons for Variance

#### Processing Efficiency: Process 90% of land and water tenures within 140 days

Excellent employee performance made it possible for LWBC to exceed the performance target for “processing efficiency.” The reasons for the variance include:

- hard work and dedication of staff;
- focus and discipline of staff;
- high level of awareness of corporate goals and targets;
- use of employee performance and development plans;
- streamlined processes and deregulation;
- training and development with a focus on new processes and goals; and
- effective consultation with external organizations.

<sup>2</sup> Customer satisfaction as measured annually with land tenure holders, water licence holders and the business and commercial development community.

### Source Data

Processing efficiency statistics are calculated using a manual tracking system and data from tenure information systems. Time spent waiting for some external processes is not counted in processing time statistics. For example, if an applicant has not submitted a management plan that is required to support an application, LWBC will stop tracking processing time on that application until the report has been received.

Customer satisfaction was measured by BC Stats using an online survey June 18 to July 2, 2003. The target population for the survey included all LWBC customers, as identified using the land management and water rights databases.

### Goal # 3:

**To improve revenue generation and fair return on land and water resources.**

### Results

Service Plan Performance Measures

	<b>Growth in revenues from land tenure management<sup>3</sup></b>	<b>Minimizing number of trespasses to increase revenue</b>	<b>Percentage improvement of backlog water amendment applications eliminated</b>
<b>2003/04 Targets</b>	\$41.2 million	50% reduction in unauthorized use	30% eliminated
<b>2003/04 Results</b>	\$51 million	45% reduction in unauthorized use	23% eliminated

### Revenue Collection

Service Plan Performance Measures

	<b>Improved collection activity</b>	<b>Reduction of overdue accounts</b>
<b>2003/04 Targets</b>	90% of new rents collected in 90 days	10% reduction in overdue accounts receivable
<b>2003/04 Results</b>	94% of new rents collected in 90 days	17% increase in overdue accounts receivable

<sup>3</sup> The 2004/05 – 2006/07 Service Plan contains targets for land tenure revenue of \$38 million for 2004/05, \$37.1 million for 2005/06 and \$36.6 million for 2006/07. Tenure revenue targets are under review due to higher than expected tenure revenue in 2003/04.



## ***Key Activities***

LWBC compliance and enforcement activities allowed LWBC to reduce the “number of trespasses” in order to increase revenue and provide a more level playing field for businesses operating on Crown land. Commercial recreation operators are required to acquire tenure for the provincial Crown land that they currently use or propose to use. A Commercial Recreation Tenure Incentive program was developed and implemented in 2003/04 in order to encourage businesses conducting Commercial Recreation activities on Crown land to apply for tenure. The program was created to provide existing operators with a window of opportunity to apply for the right to operate on Crown land with significant financial savings and benefits.

LWBC achieved its Service Plan target for “improved collection activity”. Activities that enabled this included improvement to revenue collection and accounts receivable processes and improvements to financial controls.

## ***Reasons for Variance***

### **Growth in revenues from land tenure management**

Tenure revenues totaled \$51 million, exceeding the target of \$41.2 million by \$ 9.8 million. Tenure revenue exceeded expectations due to higher than expected oil and gas tenure revenue. Market conditions and recent government initiatives have combined to make the oil and gas industry one of the province's success stories. Growth in the Northeast of the province is expected to continue.

### **Reduction of overdue accounts**

Overdue accounts receivable related to tenure activity had a target reduction of 10%. Overdue accounts (those over 180 days) increased by 17%, thus the service plan target was not met. Significant progress was made toward distinguishing the overdue accounts that are not collectible from those that warrant further collection action. That collection action is underway and it is anticipated that enhanced collection action on significantly overdue accounts, and increased contact with clients at earlier stages in the overdue process on new accounts will reduce the overdue portfolio by 50% by the end of 2004/05.

### **Percentage improvement of backlog water amendment applications eliminated**

Reduction of the historic water licence amendment backlog continues to be a challenge. The water licence amendment backlog was reduced by 23% rather than the planned 30%. The reason for the variance was drought conditions. In the summer of 2003 significant staff time was devoted to managing drought conditions due to record-low stream flows. In the Southern Interior, Central Interior, Georgia Basin and Kootenays, water management capacity was focused on resolving water use conflicts. LWBC employees were also reassigned to aid in the Provincial effort to fight forest fires.

### Source Data

Unauthorized commercial use of Crown land was estimated in 2003. A database of 2,200 advertised commercial-recreation operators was created. Operators who already held tenures or were confirmed not to be users of Crown land were removed from the list, leaving a list of 923 suspected unauthorized users. LWBC performance was measured by determining that 222 operators applied for tenure and an additional 195 operators were confirmed to be in compliance with the *Land Act*, resulting in reduction in trespass of 45%.

The water licence amendment backlog was tracked in the Water Rights Information System (WRIS). The amendment backlog includes existing water licences that have required amendment for at least a year. Water licences require amendment when the purpose of water consumption changes; new works are constructed; the property associated with a licence is subdivided; water rights are transferred to a new property; or licensees require additional time to construct works or make beneficial use of water.

### Goal #4:

To be a high performing organization that is consistently able to meet or exceed rigorous financial and operational targets.

Service Plan Performance Measures

	<b>Employee engagement and commitment survey</b>	<b>Capability and capacity; assessment of key management positions against new competencies</b>
<b>2003/04 Targets</b>	Establish baseline	Development of competencies
<b>2003/04 Results</b>	Baseline established at 72%	Competency matrix developed
<b>2004/05 Targets</b>	Establish baseline <sup>4</sup>	Develop key competencies for target positions and baseline to measure growth
<b>2005/06 Targets</b>	10% improvement	
<b>2006/07 Targets</b>	10% improvement	

### Key Activities

Key activities that contributed to LWBC's performance included development of a high-level management competency matrix and conducting an employee commitment and engagement survey. To develop the competency matrix for key management positions, LWBC conducted research and internal consultation on the technical and behavioural characteristics that make employees perform well within LWBC. The employee commitment and engagement survey gauged the level of employee dedication to service excellence, pride in the organization and intention to continue working at LWBC. LWBC met 2003/04 performance targets for "employee engagement and commitment" and "capability and capacity".

<sup>4</sup> The 2004/05 performance target for employee engagement was attained prior to the beginning of 2004/05.

Key organizational development activities included:

- communicating internally about the values, goals and objectives of the corporation;
- beginning to redesign the organizational structure;
- completing a high-level succession plan;
- conducting 360 degree performance reviews for senior managers;
- completing employee development and performance plans for all excluded managers; and
- introducing new educational, developmental and mentorship opportunities.

### ***Source Data***

Source data on employee engagement and commitment was gathered using a web-based survey during the last quarter of 2003/04. This survey was customized to meet LWBC needs but contained standard questions for external comparison. Employees were considered to be engaged and committed if they stated that they “agree” or “strongly agree” with statements that suggest that they:

- are dedicated to doing the best job possible;
- think highly of LWBC; and
- would like to continue working for LWBC.

### ***Alignment with Government Priorities***

The goals of LWBC for 2003/04 are aligned with the priorities articulated in the 2003/04 – 2004/05 Strategic Plan of Government.

1. LWBC Goal 1: “to contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia,” is consistent with Goal 1: “a strong and vibrant Provincial economy” and Objective C: “employment opportunities” of the Government Strategic Plan.
2. LWBC Goal 2: “to optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness” is linked to Government’s Objective 3.B “Sustainable Resource Management.” One of Government’s performance measures for this objective is “the percentage of land and water tenure applications processed within established turnaround times as an indicator of quality of service delivery.”
3. LWBC Goal 3: “to improve revenue generation and fair return on land and water resources” contributes to Goal 2 of Government: “A supportive social fabric.” According to the Government Strategic Plan, “robust economies provide the funds for the social and environmental services required by the public.” Revenue and fair return are necessary to provides funds for government programs.
4. LWBC Goal 4 is “to be a high performing organization that is consistently able to meet or exceed rigorous financial and operational targets.” Attention to performance helps to ensure that the corporation’s other three goals are met. It also meets the commitment made by Government in its Strategic Plan to making “government accountable for measuring the success of its programs and reporting on performance.”

## ***External Trends***

Land sales, capital investment and job-creation are strongly influenced by the overall strength of the economy and business climate. Strong real estate markets of the Lower Mainland, Vancouver Island and the Northeast contributed to the success of LWBC in 2003/04. Low interest rates contributed to high demand for land for urban housing starts while oil and gas exploration and development drove land investment in the Northeast. Strong regional markets contributed to better than expected land sales results in 2003/04.

Hot, dry climatic conditions hampered LWBC's ability to reduce the water licence amendment backlog. Dry weather caused forest fires and a scarcity of water for human use, fish and economic activities such as agriculture. Drought related water use conflicts took attention away from licence amendments.

Efforts to reduce unauthorized use of Crown land was aided by a high level of voluntary compliance on the part of the commercial recreation industry. The Council of Tourism Associations of British Columbia (COTA) and the Wilderness Tourism Association (WTA) worked cooperatively with LWBC on the development and implementation of the Commercial Recreation Incentive Program, which will lead to a level playing field for all users.

Government-wide initiatives had a favorable impact on LWBC performance 2003/04. LWBC's timeliness and responsiveness initiative is complimented by Government-wide initiatives, including deregulation, that are making it easier to do business with the Province. LWBC's attention to employee and organizational performance occurred in the context of broader Public Service renewal and leadership development. LWBC initiatives benefited from government-wide attention to leadership training, executive development, 360 degree feedback processes, employee development and performance planning, succession planning and employee recognition.

## ***Risks and Capacity***

Competing demands for land and water resources pose the most significant risk to land sales. First Nations have asserted interests in much of the land base of British Columbia and Crown land is in demand for competing uses, including forestry and recreational uses. Local and regional governments are responsible for zoning and planning decisions that impact LWBC's business. Addition of new inventory requires extensive consultation and can take up to three years.

Competing demands for land did not preclude strong performance in 2003/04. Major land sales projects proceeded ahead of schedule due to effective management of competing demands for land. In order to manage the risks to investment posed by competing demand for land and water resources, LWBC uses multi-year inventory planning, is building new partnerships with First Nations and is broadening its capacity for proactive consultation and communications.

The key risk to timely decision-making at LWBC is delayed availability of information and advice from external organizations. Timely decision-making depends on timely access to feedback and information from First Nations, other Provincial organizations and other levels of government. Processing time targets for new land and water applications were exceeded despite the risk of external delay. Risks were managed by:

- communicating with referral organizations about the importance of timely feedback;
- diligently adhering to timelines for referrals;
- making decisions based on the best information that is available at the time; and
- acting as an advocate with external organizations.

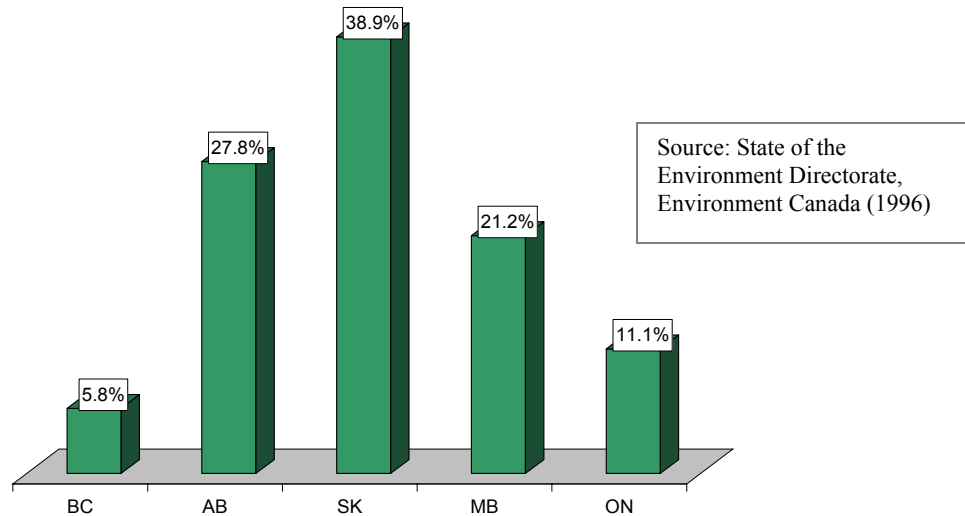
Adverse environmental conditions impacted LWBC’s ability to achieve performance targets in 2003/04. Provincial emergencies including forest fires, droughts and floods caused priorities to shift. LWBC played a leadership role in the management of drought conditions in 2003/04, including the Deputy Ministers’ Committee on Drought and the Provincial Drought Task Force. The backlog of amendments to existing water licences is behind schedule because staff time was diverted from the backlog reduction project to resolve water use conflicts that arose as a result of drought conditions.

As LWBC began the transition toward a more entrepreneurial approach, a concern was raised that employee skill-sets might not match future organizational goals. LWBC managed this risk by working to refocus the skills of employees to match new business directions. In 2003/04 LWBC worked to enhance employee capacity through developmental temporary assignments, mentorship, leadership training, use of employee performance and development plans, development of competencies for positions and recognition of employee commitment. LWBC’s attention to employee and organizational performance included development of a competency matrix and helped LWBC to achieve a high level of employee engagement and commitment in 2003/04. Organizational development started in 2003/04 and will help to mitigate the risks that mismatched skill-sets could pose in future years.

## ***Results of Other Organizations***

### **Private Ownership of Land**

Approximately 5.8% of the land in British Columbia is privately owned. The low level of private ownership in British Columbia contrasts with higher levels of private ownership in other parts of Canada, particularly in western provinces.



## **Employee Engagement and Commitment**

Employee engagement and commitment at LWBC is high in comparison to other organizations. The average engagement and commitment score of the top 50 companies to work for in Canada is 79%. LWBC will continue to improve employee engagement and commitment but will review the targets of the 2004/05 – 2006/07 Service Plan because 20% improvement on already high performance may not be rapidly attainable.

## **Industry Benchmarking**

LWBC is in the start-up phase of utilizing industry benchmarks and comparisons. In 2003/04 LWBC began to expand its capacity for economic and market analysis. Direct external comparison data is not currently available for the performance measures contained in this report. Direct comparison with land and water management programs in other jurisdictions is challenging because of differences in economic climate, geography, land use conflicts, issues emphasized and organizational structures. Comparisons with other Provincial agencies and corporations is also challenging, due to differences in lines of business, governance, mandate and organizational structure.

## **FINANCIAL REPORT**

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### ***Management Discussion and Analysis***

#### ***Business and Policy Environment***

LWBC manages the allocation of Crown land and water resources on behalf of the Province of British Columbia and its constituents. LWBC is a Crown corporation, incorporated under the *Business Corporations Act*. The Minister of Sustainable Resource Management holds the corporation's sole share on behalf of the Province.

The role of the corporation is to facilitate economic development, job creation and revenue generation by aggressively pursuing and encouraging investment and optimal use of Crown land and water resources

LWBC generates revenue through the marketing of Crown and agency lands, administration of Crown land tenures, and, licensing of Crown water resources on behalf of the Province. The Ministry of Sustainable Resource Management (MSRM) has statutory authority for the sustainable development of the province's land and water resources. To this end, MSRM develops high-level strategic land, water and resource plans, policies and principles. LWBC is responsible for making Crown land and water allocation decisions and managing Crown land sales within the MSRM's strategic policy framework.

The corporation reports revenues at both the gross and net levels. Gross revenue represents the total revenue generated from operations, and the net represents the percentage retained by the corporation to fund operating costs.

Net revenues include:

- Land sales – the corporation is authorized to retain 10% of land sales revenues, after the recovery of eligible expenses, as defined in an agreement with the Province.
- Land tenure administration – the corporation retains 40% of land tenure revenues after recovery for eligible expenses.
- Water Management – In 2003/04, a regulation under the *Financial Administration Act* came into effect, permitting LWBC to retain 11.5% of water rental revenues from minor power production, plus 100% of revenue related to water licensing.

The corporation transfers the balance of land related revenues collected to the Crown Land Special Account, within the Consolidated Revenue Fund (CRF). The balance of water minor power revenues are paid to MSRM for remittance to the CRF.

### ***Results of Operations and Changes in Financial Condition***

Land and Water British Columbia Inc. ended the year with a net income of \$6.5 million, a significant increase over 2002/03 net income of \$452,000. Net income for 2003/04 was projected to be \$120,000.

Gross revenues of \$136.1 million exceed the budget of \$103.6 million by 31%. The dividend paid to the Crown was \$93 million, exceeding the budgeted dividend of \$68.8 million by 35%. Expenditures were budgeted at \$31.5 million and came in on budget.

Key business events that account for the significantly improved revenue position include:

- increase in land sales, primarily due to sale of the Burke Mountain property for \$36 million;
- growth in tenure-related revenue of \$9.2 million, primarily related to increased gravel royalties and increased revenue from oil and gas related tenures; and
- inclusion of water licence revenue of \$6.2 million, reported on the financial statements of MSRM before 2003/04.

Expenditures of \$31.5 million are slightly higher than the 2002/03 expenditure level of \$30.1 million. For financial statement purposes, expenditures and revenues include the recovery of project costs (\$13.369 million, including \$8.450 million related to the sale of the lands of 617548 B.C. Limited), which do not represent an actual operating cost to the corporation. Under terms of the financial agreements with the Province, these costs are recoverable and an offsetting amount is recorded as revenue.

The balance sheet at March 31, 2004 reflects the disposition of 617548 B.C. Limited, representing the ownership of the Pacific National Exhibition lands. This sale was completed during fiscal 2003/04. LWBC will continue to hold a mortgage related to this sale.

The corporation utilized an average of 305 full time equivalents (FTEs) during the year; budgeted FTEs were 323.



*Performance by Core Business Area*

<b>Area</b>	<b>Gross Revenue (\$000,000)</b>	<b>Net Revenue (\$000,000)</b>	<b>Expenditure (\$000,000)</b>
<b>Development &amp; Marketing</b>	61.4	6.5	2.0
<b>Land and Water Management</b>	73.2	30.1	16.5
<b>Other</b>	1.5	1.5	13.0
<b>Total</b>	<b>136.1</b>	<b>38.1</b>	<b>31.5</b>

*Capital Expenditures (\$000,000)*

<b>Asset</b>	<b>March 31/04</b>	<b>March 31/03</b>	<b>Change</b>
<b>Work in Progress<sup>5</sup></b>	11.42	10.23	1.19
<b>Systems</b>	.54	.87	(.33)
<b>Facilities, Vehicles &amp; Equipment</b>	1.58	1.62	(.04)
<b>Total</b>	<b>13.54</b>	<b>12.72</b>	<b>(.82)</b>

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<sup>5</sup> Work in progress represents the expenditures incurred on development projects. These costs are matched against future revenues when the project reaches completion.



### ***Key Financial and Operating Data – Past Five Years***

The following table shows the historic trends in the financial and operating results of the corporation. Figures are shown in \$ millions.<sup>6</sup>

#### ***Financial data reported in \$millions***

<b>Category</b>	<b>2003/04</b>	<b>2002/03</b>	<b>2001/02</b>	<b>2000/01</b>	<b>1999/2000</b>
<b>Tenure Revenue</b>	51.0	44.7	37.7	34.0	30.7
<b>Land Sales Revenue</b>	73.3	34.1	26.9	34.6	46.7
<b>Dividend to Crown</b>	93.0	54.6	46.0	48.0	55.0
<b>Net Revenue</b>	38.1	30.5	20.3	22.5	25.6
<b>Operating Expenditures</b>	31.5	30.1 <sup>7</sup>	22.3	20.8	17.5

#### ***Tenures Issued***

<b>Category</b>	<b>2003/04</b>	<b>2002/03</b>	<b>2001/02</b>	<b>2000/01</b>	<b>1999/2000</b>
<b>New Land Tenures</b>	1,206	1,529	1,506	992	1,077
<b>New Oil and Gas Tenures</b>	2,502	2,381	710	417	972
<b>Replacement Tenures</b>	3,000	2,020	1,364	1,071	838
<b>New Water Licences</b>	504	492	422	419	481
<b>Water Licence Amendments</b>	737	691	789	434	338
<b>Total Tenures Issued</b>	<b>7,949</b>	<b>7,113</b>	<b>4,791</b>	<b>3,333</b>	<b>3,706</b>

<sup>6</sup> Revenue categories do not include water licensing and minor power revenues, as 2003/04 was the first year for inclusion on LWBC's financial statements for those revenues, therefore comparatives are not available. Dividend to the Crown is calculated by adding all revenue sources, less LWBC net revenue, less project costs

<sup>7</sup> Operating expenditures increased by \$7.8 million as a result of the transfer of the Water Management Program from MSRM. Water management expenditures were recovered directly from MSRM in 2002/03.

**LAND AND WATER BRITISH COLUMBIA INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2004**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The consolidated financial statements of Land and Water British Columbia Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present fairly the financial position of the company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

The Auditor General of British Columbia has performed an independent audit of Land and Water British Columbia Inc. The Auditor's Report outlines the scope of this independent audit and expresses an opinion of the consolidated financial statements of Land and Water British Columbia Inc.



Bill Valentine  
President & CEO



Morlene Tomlinson  
Chief Financial Officer



## Report of the Auditor General of British Columbia

*To the Shareholder of the Land and Water British Columbia Inc.:*

I have audited the consolidated balance sheet of the *Land and Water British Columbia Inc.* as at March 31, 2004 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the *Land and Water British Columbia Inc.* as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelloff, FCA  
Auditor General

*Victoria, British Columbia  
June 4, 2004*

**LAND AND WATER BRITISH COLUMBIA INC.  
CONSOLIDATED BALANCE SHEET**

(in \$000)


MARCH 31,

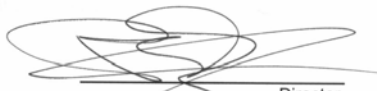
	2004	2003
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	24,762	17,924
Temporary investments (Note 3)	9,198	3,801
Accounts receivable	13,190	13,703
Loans receivable (Note 14)	-	31,975
Mortgages receivable (Note 4)	-	1,595
Current portion of long term receivable (Note 5)	3,750	-
Work-in-progress	<u>11,416</u>	<u>10,233</u>
	<b>62,316</b>	<b>79,231</b>
Long term receivable (Note 5)	3,750	-
Property held for sale (Note 5)	16	18,899
Capital assets (Note 6)	<u>2,115</u>	<u>2,491</u>
	<b><u>68,197</u></b>	<b><u>100,621</u></b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable & accrued liabilities	11,193	10,930
Loans payable (Note 7)	10,000	50,002
Current portion of obligation under capital leases (Note 8)	204	157
Current portion of deferred revenue (Note 9)	1,423	964
Due to the Province of British Columbia (Note 10)	<u>20,306</u>	<u>19,866</u>
	<b>43,126</b>	<b>81,919</b>
Obligation under capital leases (Note 8)	446	488
Deferred revenue (Note 9)	<u>2,401</u>	<u>2,521</u>
	<b><u>45,973</u></b>	<b><u>84,928</u></b>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (Note 16)	-	-
Retained earnings	<u>22,224</u>	<u>15,693</u>
	<b><u>22,224</u></b>	<b><u>15,693</u></b>
	<b><u>68,197</u></b>	<b><u>100,621</u></b>

Contingent liabilities (Note 17)

Commitments (Note 18)

APPROVED BY THE BOARD:

  
Director

  
Director

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

**LAND AND WATER BRITISH COLUMBIA INC.**  
**STATEMENT OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS**  
(in \$000)

YEAR ENDED MARCH 31,	2004	2003
	\$	\$
<b>REVENUES</b>		
Fees (Note 11)	36,737	29,099
Recoverable costs (Note 12)	4,982	3,023
Interest earned (Note 13)	1,310	670
Recovery of loss on sale of property (Note 5)	8,450	-
Other revenue	7	2,025
	<u>51,486</u>	<u>34,817</u>
<b>EXPENSES</b>		
Administration	2,827	1,988
Amortization	1,096	1,152
Contract services	2,443	1,815
Loss on sale of property (Note 5)	8,450	-
Project costs (Note 12)	5,024	3,211
Rent	2,254	2,033
Salaries and benefits	20,960	22,001
Telecommunication and systems	1,901	2,165
	<u>44,955</u>	<u>34,365</u>
<b>NET INCOME FOR THE YEAR</b>	<b>6,531</b>	<b>452</b>
RETAINED EARNINGS - BEGINNING OF YEAR	<u>15,693</u>	<u>15,241</u>
RETAINED EARNINGS - END OF YEAR	<u>22,224</u>	<u>15,693</u>

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

**LAND AND WATER BRITISH COLUMBIA INC.**  
**STATEMENT OF CONSOLIDATED CASH FLOWS**  
(in \$000)

YEAR ENDED MARCH 31,	2004	2003
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	6,531	452
Items not affecting cash:		
Amortization of capital assets	1,096	1,070
Loss on sale of property	8,450	-
Gain on sale of assets	(13)	(3)
Net change in non-cash working capital		
Accounts receivable	513	(4,569)
Work-in-progress	(1,183)	(3,182)
Accounts payable	263	3,134
Due to the Province	440	6,032
Cash flows from operating activities	<u>16,097</u>	<u>2,934</u>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>		
Loans receivable	31,975	(31,975)
Mortgage receivable	1,595	194
Long term receivable	(7,500)	-
Loans payable	(40,002)	50,002
Capital leases	(191)	(138)
Deferred revenue	339	(153)
Cash flows (used in) from financing activities	<u>(13,784)</u>	<u>17,930</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Proceeds on sale of capital assets	-	7
Purchase of capital assets	(511)	(928)
Proceeds on sale of property	10,433	-
Purchase of property held for sale	-	(18,883)
Cash flows from (used in) investing activities	<u>9,922</u>	<u>(19,804)</u>
<b>NET INCREASE IN CASH</b>	<b>12,235</b>	<b>1,060</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>21,725</b>	<b>20,665</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>33,960</u></b>	<b><u>21,725</u></b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	24,762	17,924
Temporary Investments	<u>9,198</u>	<u>3,801</u>
	<b><u>33,960</u></b>	<b><u>21,725</u></b>

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

**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**1. The Corporation**

Land and Water British Columbia Inc. (the “Corporation”), wholly owned by the Province of British Columbia, was incorporated under the *Business Corporations Act* (formerly the *Company Act*) on January 5, 1983, as W.L.C. Developments Ltd. Effective June 1, 1998, the Corporation’s name changed to British Columbia Assets and Land Corporation and on February 15, 2002, the company name changed to Land and Water British Columbia Inc.

The Corporation’s four major divisions and principal objectives are:

- Development and Marketing Division – identify, develop and market Crown land on behalf of the Province of British Columbia;
- Land and Water Management Division - administer Crown land tenures and administer and license Crown water resources on behalf of the Province of British Columbia;
- Strategic Initiatives Division – provide strategic advice on priority land use initiatives, economic development, aboriginal relations, program direction, policy and pricing analysis. It also contains the Office of the Comptroller of Water Rights; and
- Corporate Services Division – manage the Corporation’s finances and administration, information technology, and strategic human resource services.

The Corporation is economically dependent upon the Province to provide Crown land to market and sell, and on the assignment of responsibility for administering Crown land and water rights as a means of generating revenue.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

**2. Significant accounting policies**

**Financial statements** are prepared in accordance with Canadian generally accepted accounting principles.

**Consolidated Financial statements** include the accounts of the Corporation and its wholly owned subsidiary 617548 B.C. Ltd. All significant inter-company transactions and balances have been eliminated.

**Temporary investments** consist of units in 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 interest earned by the Portfolio and may be realized upon sale of units.

**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**2. Significant accounting policies (continued)**

**Work-in-progress** represents eligible development and marketing expenses incurred to promote the sale of designated Crown land. These expenses are recoverable when the Crown land is sold or other arrangements made. Operating or administrative expenses of the Corporation are excluded.

**Property held for sale** represents Whistler and Surrey, British Columbia landholdings and improvements recorded at the lower of cost and estimated net realizable value.

**Capital assets** are recorded at cost and amortized on a straight-line basis over their estimated useful lives. The half-year rule of amortization is applied in the first year of acquisition except vehicles on lease. Assets costing less than \$1,000 are expensed when purchased.

Computer equipment and software	Three years
Furniture and equipment	Five years
Leasehold improvements	Lesser of 5 years or lease term
Vehicles under lease	Lesser of 7 years or lease term

**Fees** are recognized from:

- Land sales when all material requirements related to the transactions have been met and the appropriate cash down payment or appropriate security has been received;
- Crown land tenures when the tenures are due; and
- Crown water resources for applications or water rights when earned.

**Use of estimates** The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures of work-in-progress at the date of the financial statements. Actual results could differ from these estimates.

**3. Temporary investments**

	<u>2004</u>	<u>2003</u>
Cost	9,198	3,805
Unrealized gain/(loss)	<u>6</u>	<u>(4)</u>
Market value	<u>9,204</u>	<u>3,801</u>



**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**3. Temporary investments (continued)**

Temporary investments are reported at lower of cost and market. Cost is reported in fiscal 2003/2004, market value was reported in fiscal 2002/2003.

**4. Mortgages receivable**

On December 10, 2002, the Corporation accepted a mortgage from Wilfred and Brenda Nesbitt for timber revenue and the sale of land. Simple interest of 7.2% per annum is paid on the principal amount outstanding on each anniversary date. This mortgage was paid in full on March 25, 2004.

On February 28, 2003, the Corporation accepted a mortgage from Bayview Properties Limited for the sale of land. The interest of 6% per annum is paid biannually on February 28 and August 28 during the term of this mortgage. The mortgage matured on February 28, 2004.

**5. Property held for sale**

	<u>2004</u>	<u>2003</u>
Whistler landholdings	16	16
Surrey landholdings	-	18,883
	<u>16</u>	<u>18,899</u>

On May 17, 2002, the Corporation acquired all the shares and net assets of 617548 B.C. Ltd. (the "Company") from the Pacific National Exhibition for \$17,961,087. The Company does not carry on any active business other than holding 19 parcels of land in Surrey, British Columbia. As the Province directed the Corporation to acquire and market this land for resale, the Ministry of Finance has indemnified the Corporation and the Company against all liabilities including losses on holding these properties for sale and all environmental liabilities.

In March 2004, 6 parcels of land were sold to the BC Transportation Financing Authority (BCTFA) for \$2,000,000. The remaining 13 parcels of land were sold to an unrelated party for \$10,000,000, of which \$7,500,000 is reported as a long term receivable and the balance as an account receivable. The Corporation incurred an \$8,450,357 loss on the sale of these land holdings, which was recovered from the Province. The Corporation recognized fee revenue of \$150,000 on the land sale.

**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**5. Property held for sale (continued)**

On April 22, 2004, as part of the sales agreement, the Corporation issued a mortgage to the purchaser for the \$7,500,000 receivable at prime plus 2% per annum payable on the 22<sup>nd</sup> of each month for 24 months.

**6. Capital assets**

	<u>2004</u>			<u>2003</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment and software	2,956	2,417	<b>539</b>	872
Furniture and equipment	1,354	672	<b>682</b>	732
Leasehold improvements	540	296	<b>244</b>	242
Vehicles under capital leases	1,111	461	<b>650</b>	645
	<u>5,961</u>	<u>3,846</u>	<u><b>2,115</b></u>	<u>2,491</u>

**7. Loans payable**

During fiscal 2003/2004, the Corporation had the authority to borrow up to a maximum of \$18 million from the Province of British Columbia, with interest charged based on prevailing money market rates. The Corporation was authorized to borrow additional funds up to a total of \$51 million in fiscal 2002/2003. The additional financing was used to fund the purchase of the lands in relation to the Vancouver Convention Centre Expansion Project Ltd., and was repaid during fiscal 2003/2004.

<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>
10,000	1.96%	April 23, 2004	10,016

**8. Obligation under capital leases**

The Corporation has vehicle leases that are classified as capital leases. During the year, the Province transferred capitalized leased vehicle asset and related obligations to the Corporation at a net book value of \$329,557. As at March 31, 2004, the Corporation has vehicle leases with a net book value of \$649,993. Leases expire from April 2006 to February 2009. Future minimum annual lease payments are as follows:

**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**8. Obligation under capital leases (continued)**

2005	219
2006	211
2007	160
2008	71
2009	<u>21</u>
	682
Less amount representing interest	<u>(32)</u>
Present value of capital lease obligations	650
Less current portion	<u>(204)</u>
Long-term portion of capital lease obligations	<u><u>446</u></u>

Interest at a rate of 2.8% was incurred during the year with respect to the above. Interest cost for the year of \$30,289 is included in administration expenses.

**9. Deferred Revenue**

Deferred revenue consists of a long term tenure issued under the Telus Lightguide Agreement providing for the right of way for telecommunication lines. Amounts deferred are included in income on a straight line basis over the tenure term ending in fiscal 2025. As at March 31, 2004, the Corporation has deferred revenue of \$2,521,000, of which \$120,000 is included in the current portion.

The current portion of deferred revenue also includes unearned fees collected for water rights and land tenures of \$1,303,000.

**LAND AND WATER BRITISH COLUMBIA INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 31, 2004**  
**(tabular amounts in \$000)**

**10. Due to the Province of British Columbia**

Pursuant to a number of different agreements, the Corporation remits money it collected on behalf of the provincial government and certain Crown Corporations.

	<b>BCTFA</b>	<b>BC Transit</b>	<b>Due to Province of BC</b>	<b>Due from Province of BC</b>	<b>2004</b>	<b>2003</b>
<b>Land sales</b>	1,341	544	16,332	(8,450)	<b>9,767</b>	16,623
<b>Land tenure</b>	-	-	10,706	-	<b>10,706</b>	3,240
<b>Water mgmt</b>	-	-	3,917	(4,086)	<b>(169)</b>	-
<b>Aquaculture</b>	-	-	2	-	<b>2</b>	3
	<u>1,341</u>	<u>544</u>	<u>30,957</u>	<u>(12,536)</u>	<u>20,306</u>	<u>19,866</u>

**11. Fees**

	<b>Development and Marketing</b>	<b>Land and Water Mgmt</b>	<b>617548 BC Ltd.</b>	<b>Business Partner- ships</b>	<b>Total</b>
<b>Fees</b>	6,401	1,162	150	-	7,713
<b>Rent</b>	40	12,217	-	-	12,257
<b>Water licensing</b>	-	8,846	-	-	8,846
<b>Tenure</b>	-	6,605	-	-	6,605
<b>Other</b>	-	1,316	-	-	1,316
<b>Total for 2004</b>	<u>6,441</u>	<u>30,146</u>	<u>150</u>	<u>-</u>	<u>36,737</u>
<b>Total for 2003</b>	<u>2,566</u>	<u>26,458</u>	<u>-</u>	<u>75</u>	<u>29,099</u>

In addition to these ongoing sources of fees, the Corporation retained \$2.5 million during fiscal 2003/2004, as authorized by the Province. These fees are included in Water licensing fees, and were retained for administrative costs of the Water Management program.

**12. Recoverable costs and project costs**

On completion of Crown land sales, the Corporation is reimbursed all eligible project costs related to the sale.

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**13. Interest earned**

Interest earned on funds held on behalf of the Province is reported as income of the Corporation as authorized by the Delegation Agreement signed with the Province of British Columbia.

**14. Related party transactions**

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

**I. Vancouver Convention Centre Expansion Project Ltd.**

During fiscal 2002/2003, the Corporation acquired 100 common shares without par value of the Vancouver Convention Centre Expansion Project Ltd. (the "VCCEP") and utilized funding from a short term loan to finance the purchase of the Coal Harbour Lands on behalf of VCCEP. On April 30, 2003, the Corporation transferred share title to the Minister of Competition, Science and Enterprise and VCCEP reimbursed all costs pertaining to the purchase of this land. As the Province directed the Corporation to acquire this land on behalf of VCCEP, the Ministry of Finance indemnified the Corporation against all liabilities, including all environmental liabilities.

The accounts of VCCEP have not been included in these statements. Consolidation was determined to be inappropriate as the Corporation has no ability to determine strategic operating or investing policies.

**II. The Corporation had the following related party transactions during the year, all of which were recorded at the exchange amount:**

- a) fees earned include \$36,184,000 from the Province, \$334,000 from BCTFA and \$219,000 from BC Transit;
- b) expenses include services received from various provincial ministries of \$2,490,000 for administration, \$1,270,000 for contract services and \$844,000 for telecommunications and systems;
- c) rent expenses include services received from British Columbia Buildings Corporation of \$1,023,000.
- d) accounts receivable include \$323,000 due from various provincial ministries; and
- e) accounts payable and accrued liabilities include \$540,000 due to various provincial ministries.

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**15. Financial instruments**

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable, loans receivable, mortgages receivable, accounts payable, loans payable and amounts due to the Province of British Columbia. The fair values of these financial instruments approximate their carrying values. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**16. Share capital**

The Corporation has authorized capital consisting of 10,000 common shares with no share value. The Minister of Sustainable Resource Management holds the one common share issued as representative of Her Majesty the Queen in right of the Province of British Columbia.

**17. Contingent liabilities**

The Corporation is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the Corporation.

**18. Commitments**

The Corporation has entered into facilities leases for office space expiring on various dates to 2010. Future minimum payments under these leases are:

2005	1,961
2006	1,480
2007	1,026
2008	872
2009	579
Thereafter	408
<b>Total</b>	<b>6,326</b>

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**19. Post retirement benefits**

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to Corporation employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies.

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. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position

The Corporation also annually contributes through the provincial government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

**20. Non-monetary transactions**

The Corporation entered into non-monetary transactions in fiscal 2003/2004. Crown land was exchanged for the release of contractual obligations owed by the Corporation to the City of Victoria and the City of Prince George. These transactions were recorded at the value of the obligations owed in the amounts of \$200,000 and \$37,322 respectively.

**21. Comparative figures**

Certain 2002/2003 comparative figures have been reclassified to conform to the presentation adopted in the current year.

## CORPORATE GOVERNANCE

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The Minister of Sustainable Resource Management is the sole shareholder of LWBC. The shareholder's principal role is that of owner and investor. The rights and responsibilities of the shareholder are shared and exercised on behalf of the people of British Columbia by the Legislative Assembly and the Government.

### ***Board of Directors***

Land and Water British Columbia Inc. reports to a Board of Directors consisting of six deputy ministers, an executive of BC Buildings Corporation, and the President/Chief Executive Officer of the corporation. The mandate of the Board of Directors is to provide strategic business direction and oversight that is consistent with the goals and objectives of the Minister of Sustainable Resource Management and the Government.

Specifically, the board has three primary responsibilities:

1. to approve the business framework through which the affairs of LWBC are to be carried out;
2. to approve the direction of corporate business, which is the sum of strategic, operational and other plans to be carried out by management; and
3. to monitor the progress of management in meeting business targets.

Director activities and responsibilities are governed by legal requirements specified in the *Business Corporations Act*.

### ***Present Membership of the Board of Directors***

Jon O'Riordan (Chair)	Chair, and Deputy Minister of Sustainable Resource Management
Bill Valentine	President and Chief Executive Officer, Land and Water British Columbia Inc.
Jack Ebbels	Deputy Minister of BC Offshore Oil and Gas Team
Sharon Halkett	Executive Vice-President, British Columbia Buildings Corporation
Paul Taylor	Deputy Minister of Finance
Doug Konkin	Deputy Minister of Forests
Rory McAlpine	Deputy Minister of Agriculture, Food and Fisheries
Lorne Brownsey	Deputy Minister of Treaty Negotiations Office



## ***Board Committees***

The Board has established an Executive Committee and an Audit Committee. The Executive Committee exercises the powers of the directors in the management and direction of operations of LWBC (except where prohibited by legislation). The Executive committee is comprised of Jon O’Riordan (Chair), Lorne Brownsey and Bill Valentine.

The Audit Committee challenges internal and external auditors, recommends financial statements to the Board of Directors, obtains assurances that the corporation's accounting systems are reliable and that prescribed internal controls are operating effectively, evaluates corporate risks and their management, ensures compliance with all statutory and regulatory requirements, and reports to the Board of Directors on its major discussions, decisions and the discharge of its responsibilities. The audit committee is comprised of Lorne Brownsey (Chair), Paul Taylor and Bill Valentine.

## ***Senior Management Team for 2003/04***

Bill Valentine	President and Chief Executive Officer
Jack Hall	Vice-President, Development and Marketing
Jim Yardley	Vice-President, Land and Water Management
Morlene Tomlinson	Executive Director, Corporate Services
Jim Mattison	Executive Director, Strategic Initiatives
Kevin Dickenson	A/Service Centre Director, Southern Service Region
Jim McGregor	A/Service Centre Director, Northern Service Region
Mike Lambert	Service Centre Director, Vancouver Island Service Region
Jody Shimkus	A/Service Centre Director, Lower Mainland Service Region

## ***Governance Principles***

Six principles govern LWBC’s corporate governance:

1. Stewardship, leadership and effective functioning of the board
2. Clarity of roles and responsibilities
3. Openness, trust and transparency
4. Service and corporate citizenship
5. Accountability and performance
6. Value, innovation and continuous improvement

## GLOSSARY

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**Application Backlog** includes applications for land tenures or water licences that have not been processed within a year of receipt of the application.

**Changes in and about a stream** means:

- any modification to the nature of a stream including the land, vegetation, environment or flow of water within a stream; or
- any activity within the stream channel that may have an impact on a stream.

Regulation of changes in and about streams helps to protect water quality and quantity, aquatic and shoreline habitats, public safety, and water and property rights.

**Competency Matrix** is a list of measurable characteristics that are required for successful performance in a position.

Competencies include:

- technical skills and abilities; and
- behavioural characteristics such as motives, attitudes and knowledge.

**Private Water Utilities** are individuals or businesses that own or operate equipment or facilities for the delivery of domestic water service to five or more people or to a corporation for compensation. Private water utilities are usually created by developers to serve rural land development where community water service is required for subdivision approval and where there is no other water purveyor in the area that can provide service.

**Land Act Reserves** means Crown land that has been withdrawn from disposition under the *Land Act*.

**Water Licence Amendment Backlog** refers to existing water licences that have required amendment for at least a year. Water licences require amendment when the purpose of water consumption changes; new works are constructed; the property associated with a licence is subdivided; water rights are transferred to a new property; or licensees require additional time to construct works or make beneficial use of water.