

PavCo

ANNUAL REPORT

April 1, 2002 to March 31, 2003

CORPORATE OVERVIEW

B.C. Pavilion Corporation (PavCo) is a British Columbia corporation incorporated under the Company Act (British Columbia) on May 3, 1984. The authorized capital of B.C. Pavilion Corporation consists of 10,000 common shares without par value. Only one common share has been issued and it is held by Her Majesty the Queen in Right of the Province of British Columbia. This 100% ownership of issued shares by the Provincial Government makes B.C. Pavilion Corporation a Crown Corporation.

B.C. Pavilion Corporation registered PavCo as a business name under the Partnership Act (British Columbia) on September 23, 1999.

In addition to the Company Act and the Partnership Act, there are a number of other statutes relevant to B.C. Pavilion Corporation. The most significant is the British Columbia Enterprise Corporation Act which provides that:

- B.C. Pavilion Corporation is an agent of the government,
- B.C. Pavilion Corporation is bound by the laws of British Columbia only to the same extent as the government is bound, and
- all property owned or acquired by B.C. Pavilion Corporation belongs to the government and B.C. Pavilion Corporation has all the immunities that the government has with respect to such property.

The Corporation is responsible to the Ministry of Competition, Science and Enterprise.

PavCo operates four public facilities within the Lower Mainland and the Fraser Valley of British Columbia, providing space for conventions, trade and consumer shows, film productions, sporting events and a variety of other special events. The facilities are the Vancouver Convention & Exhibition Centre, BC Place Stadium, Tradex (Fraser Valley Trade & Exhibition Centre), and the Bridge Studios. BC Place Stadium and the Bridge Studios are fully owned by PavCo. PavCo owns the Tradex building on land leased from the City of Abbotsford. The Vancouver Convention & Exhibition Centre is leased from the Federal Government.

Following the analysis and decisions at Core Services Review in 2002, PavCo is restructuring its operations. As a result, some or all of its facilities will either be sold or transferred to other organizations. The transition is expected to be completed by the end of Fiscal 2004.

OUR VISION

To be the global leader in event facility management.

OUR MANDATE

To generate economic and community benefits for the people of British Columbia through the management of public tourism and cultural facilities.

OUR MISSION

To provide the best event experience for all our clients and guests.

OUR STRATEGIC GOALS

To provide the highest levels of service and value.

To broaden and increase economic benefits to the people of British Columbia.

To optimize financial performance.

To attract customers from international, national and local markets.

To improve, expand and diversify our properties.

To create healthy and supportive work environments for personal and organizational success.

OUR VALUES

Quality and Service – We set and meet high standards of service.

Respect, Fairness and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and strive to generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm and Humour – We show our enjoyment of our work and each other.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver on our promises.

MESSAGE FROM THE CHAIRMAN

Fiscal 2003 was a year of challenge and transition for PavCo. Towards the end of fiscal 2002 following Core Services Review, the Corporation commenced a strategic shift in its operations from direct government ownership and control, to stakeholder ownership and governance. The groundwork for future operations of each facility was formulated during Fiscal 2003, with the process expected to complete by late in Fiscal 2004. The most immediate impact on operations was at the Corporate Office, where staffing reductions were effected early in Fiscal 2003, and more responsibility delegated to the facilities.

Vancouver Convention & Exhibition Centre, which is the Corporation's largest generator of economic benefits, completed the year within expectations while visitor activity recovered from Fiscal 2002, but at year end, attendance projections were uncertain due to prospects of a prolonged decline in business and leisure tourism. During the year, the proposed public private partnership process for the expansion of the convention centre was terminated. The Provincial and Federal Governments and Industry committed funding for expansion, enabling PavCo management to prepare for expansion sales and marketing programmes.

BC Place Stadium's operational results improved from the previous year. The facility benefited both from non-traditional revenue sources such as film shoots, and from reduced operating costs due to warm winter and spring weather.

Tradex had another successful year for operations during Fiscal 2003. As a result of Core Services Review, it was recommended that Tradex be transferred to the City of Abbotsford, as the activities at the facility are more closely aligned with the community economy than that of the Province. An agreement in principle was reached for the transfer, with the transaction expected to complete during Fiscal 2004.

Since PavCo took ownership of the Bridge Studios in 1989, the facility has played an important role in the development of the film and television industry in British Columbia. Growth of the industry has been exceptional over the last five years. At Core Services Review, a decision was made to sell the facility, as government's role in the operation of film studios is no longer considered essential to the industry.

On behalf of the Board of Directors, I wish to thank management and staff for their contribution during the transition process and to the continued success of the Corporation.



Doris Bradstreet Daughney
Chairman & Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

Management is pleased to present the financial results of the Corporation for the year ended March 31, 2003.

In Fiscal 2003, PavCo lost \$5.207 million before government contributions compared to losses of \$8.296 million in Fiscal 2002 and \$5.522 million in Fiscal 2001. The reduction in the loss was a result of the savings from the corporate downsizing recommended by the Core Services Review in Fiscal 2002.

	<u>Operations for the Year Ended March 31 (In \$</u>		
		<u>thousands)</u>	
	<u>2003</u>	<u>2002</u>	<u>2001 (Note)</u>
Revenue	\$26,657	\$27,304	\$26,802
Direct costs	<u>11,908</u>	<u>12,269</u>	<u>11,455</u>
Gross margin	<u>14,749</u>	<u>15,035</u>	<u>15,347</u>
Facility Expenses			
Staffing	6,359	7,483	7,528
Operating	5,180	5,128	4,891
General and administration	1,892	1,880	1,585
Business development	677	718	973
Fees	569	766	857
Depreciation	<u>4,378</u>	<u>4,566</u>	<u>4,715</u>
	<u>19,055</u>	<u>20,541</u>	<u>20,549</u>
Loss before other expenses	<u>4,306</u>	<u>5,506</u>	<u>5,202</u>
Other expenses			
Severance payments and other costs of cessation of operations	901	1,201	-
Proposed convention centre expansion	<u>-</u>	<u>1,589</u>	<u>320</u>
Loss before government contributions	<u>\$5,207</u>	<u>\$8,296</u>	<u>\$5,522</u>

Note – Fiscal 2001 results exclude operations of Robson Square Conference Centre, which was managed by PavCo until November 30, 2000.

Revenue for the year at \$26.657 million decreased by \$647,000 from Fiscal 2002 as a result of reduced food and beverage sales at Vancouver Convention & Exhibition Centre, and lower occupancy at the Bridge Studios and was \$145,000 lower than for Fiscal 2001.

Direct costs of \$11.908 million decreased by \$361,000 from Fiscal 2002, but were \$453,000 higher than for Fiscal 2001. The costs were in line with expectations for their particular revenue types and changes were a result of the different revenue mixes during the years. The gross margin at \$14.749 million decreased by \$286,000 from Fiscal 2002, and \$598,000 from Fiscal 2001, but was consistent with the revenue expectations.

Facility operating costs at \$19.055 million, decreased by \$1.486 million from Fiscal 2002, and \$1.494 million from Fiscal 2001. During the three-year period, staffing costs decreased significantly as a result of downsizing arising from the Core Services Review mostly at the Corporate Office, and fees and business development costs reduced as the Corporation discontinued facility development and new business activities. General and administration costs increased during the period, with reductions in expenses arising from the Core Services Review downsizing activities being more than offset by higher insurance premiums. Building operating costs were down with lower heating costs as a result of a warmer than normal winter and spring.

During Fiscal 2003, \$901,000 was incurred for severance payments and other costs of cessation of operations, a decline from the \$1.201 million incurred in Fiscal 2002.

Capital expenditures for the year were \$1.229 million, \$558,000 lower than Fiscal 2002 and \$157,000 lower than for Fiscal 2001. The reduction was a result of uncertainty over the future of the Corporation's facilities, with less funding being made available for capital purposes.

THE YEAR IN REVIEW

There are six strategic goals for the Corporation:

To provide the highest levels of service and value

PavCo is a customer-driven organization. We must provide excellent service at all levels, or risk losing new and repeat clients to other facilities. For this reason, we monitor customer satisfaction through two measures:

Score on customer satisfaction surveys

In order to continuously improve customer service, we request feedback from event organizers. Surveys are sent to clients after their events and the results monitored. For Fiscal 2003, the satisfaction rating range was from 5.1 out of 6.0 at Vancouver Convention & Exhibition Centre and Tradex, to 5.5 out of 6.0 at BC Place Stadium. The most significant increase in ratings was at BC Place Stadium, which rose from 4.5 out of 6.0 in the previous year.

Measure repeat clients to the facilities

It is more cost effective to service a repeat client than to sell space to a new client. Due to the diverse nature of our facilities, the percentage of repeat clients varies. Where repeat clients decline, it can indicate a larger percentage of new clients. At Vancouver Convention & Exhibition Centre, variation in repeat business is not a critical indicator as many conventions alternate their venue city from year to year.

The percentage of repeat clients to the facilities was as follows:

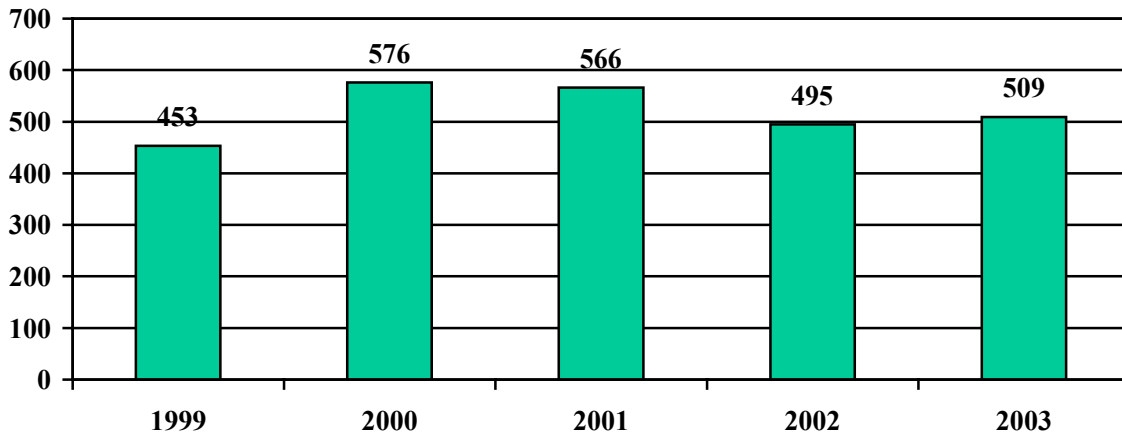
	Fiscal 1999 Actual	Fiscal 2000 Actual	Fiscal 2001 Actual	Fiscal 2002 Actual	Fiscal 2003 Actual
VCEC	36%	52%	29%	29%	40%
BC Place Stadium	62%	53%	64%	72%	82%
Tradex	53%	65%	72%	75%	65%

There was an increase in repeat events at BC Place Stadium with fewer one-time events than in previous years. The reduced number of out-of-province events resulted in increased repeat business at Vancouver Convention & Exhibition Centre. Tradex had several new events during the year, and fewer repeat events.

To broaden and increase economic benefits to the people of British Columbia

Our mandate is to generate economic and community benefits for the people of British Columbia through the management of public tourism and cultural facilities. An independent consultant measures the net economic benefits that are generated by the Corporation based on the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute.

Comparison of Net Economic Benefits Generated (for ongoing operations in \$ millions)



During Fiscal 2003, PavCo generated an estimated \$509 million in benefits to the community through its activities. The benefits are based on estimated expenditures by visitors to our facilities, subsequent spending in the province following the event activity, and the ripple effect through the economy of such spending. Economic benefits generated for the year were slightly increased from Fiscal 2002. Benefits generated at the Bridge Studios decreased from 2002 as a result of lower feature film production at the facility. Benefits generated by the Vancouver Convention & Exhibition Centre returned closer to historical levels. Attendance levels at the facility fell after September 11, 2001, followed by a slow recovery period. In addition to the economic benefits generated, it was estimated that during Fiscal 2003, more than 12,300 full year jobs were created in the community.

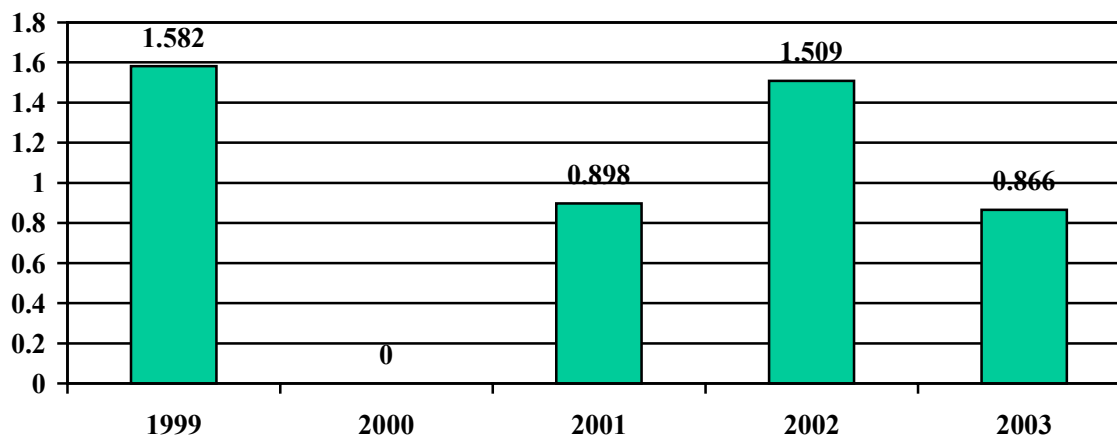
To optimize financial performance

As with most corporations, one of PavCo's strategic objectives is to optimize its financial performance, which is monitored as follows:

Comparing the annual funding used for operations

PavCo receives an annual subsidy from its Shareholder, the Province of British Columbia (the Ministry of Competition, Science and Enterprise). The subsidy comprises funding for both capital and operational needs. In Fiscal 2003, for operational purposes, the Corporation received a subsidy of \$866,000 towards the shortfall. This shortfall was after a charge of \$901,000 for severance payments and other costs of cessation of operations resulting from the Core Services Review.

Funding Received for Ongoing Operations from the Province of British Columbia (in \$ millions)



To attract customers from international, national and local markets

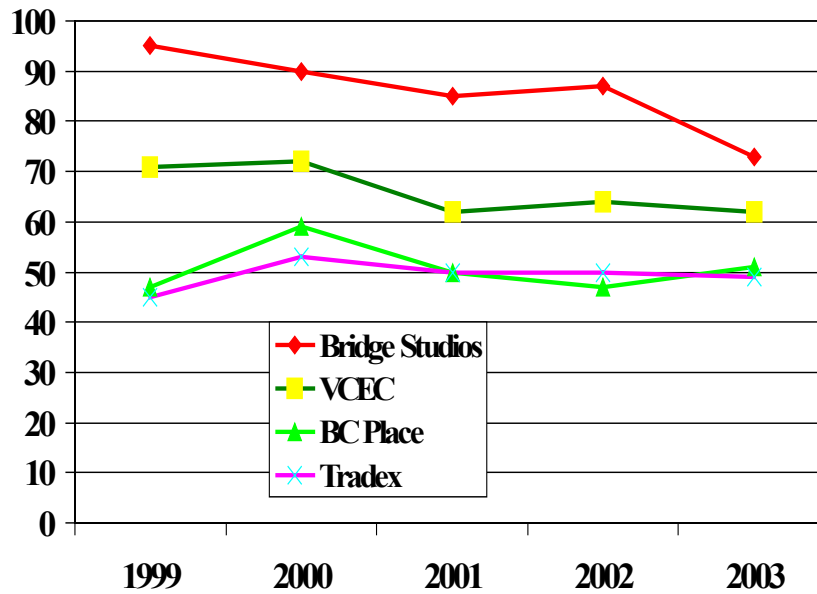
In addition to the objective of improving financial performance, PavCo also has the mandate of increasing economic benefits to the community. These goals are not always compatible. Some events bring enormous economic benefits to the community, while providing little profitability to the Corporation. In order to measure the effectiveness of PavCo's marketing efforts, the following measures were calculated:

Measure facility utilization

Occupancy at the Corporation's facilities varies significantly with different client requirements. At Vancouver Convention & Exhibition Centre, major blocks of space are booked several years in advance for conventions while most of the remaining space is booked less than eighteen months ahead of the events. BC Place Stadium and Tradex are close to fully booked on multi-year contracts during their fall and spring show seasons, but as with other trade and consumer show facilities, are challenged to fill space in the off seasons. Just over half of the business at Bridge Studios is on long-term leases, with the balance being negotiated with a short lead-time, and for short terms.

During Fiscal 2003, at the Vancouver Convention & Exhibition Centre, occupancy declined to 62% from the 64% due to a reduction in the number of citywide conventions, and fewer short-term bookings. Rentals of the Bridge Studios non-soundproofed Effects Stage, and ancillary support space declined significantly as a result of noise issues from the nearby Millennium Skytrain line. This, combined with increased competition from newer facilities, caused occupancy levels to decline from 87 per cent in Fiscal 2002 to 72 per cent in Fiscal 2003. At BC Place Stadium, the peak show seasons were close to fully booked, and overall occupancy at 51 per cent was higher than for Fiscal 2002 as a result of film shoots and other infill business. Occupancy at Tradex remained the same as for Fiscal 2002 at 50 per cent.

Percentage Occupancy at PavCo Facilities



Measure number of events by type

PavCo strives to increase the number and quality of events at its facilities each year. The facilities were operated at effective capacity during the peak seasons. However, as the greatest economic benefits are generated through convention activity, other event types may be limited in order to maximize the benefits from conventions. The comparative number of events by type was as follows:

	Fiscal 1999 Actual	Fiscal 2000 Actual	Fiscal 2001 Actual	Fiscal 2002 Actual	Fiscal 2003 Actual
Conventions	36	43	44	35	39
Trade Shows	44	33	40	36	34
Consumer Shows	27	27	29	33	36
Meetings	174	162	119	146	137
Banquets	144	115	115	99	72
Special Events	46	59	46	42	34
Sports	22	16	19	15	15
Entertainment	0	1	1	0	0

Conventions increased from Fiscal 2002, but the city-wide events declined from 15 to 14. Banquets continued to decline as increased banquet space became available within the local community. Overall, the number of events for the year was close to Fiscal 2002. Special events declined as a result of a long-term multi-event client leaving Tradex.

Track attendance by facility

Facility attendance is monitored as a measure of the Corporation's success. Attendance plays a significant role in a company's decision to become a corporate sponsor. Attendance by year was as follows:

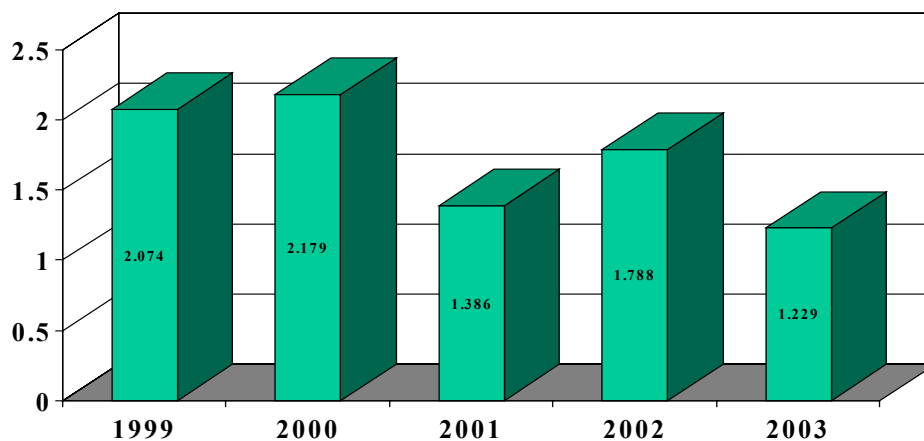
	Fiscal 1999 Actual	Fiscal 2000 Actual	Fiscal 2001 Actual	Fiscal 2002 Actual	Fiscal 2003 Actual
VCEC	750,599	743,384	690,258	486,234	588,165
BC Place Stadium	694,462	865,899	714,258	697,643	673,797
Tradex	228,446	227,311	270,754	241,178	274,326

The most significant change was at Vancouver Convention & Exhibition Centre. Canada Day celebrations which were not held at the facility in fiscal 2002 (resulting in a significant decline in visitors) returned in Fiscal 2003. Other event attendance fell short of historical levels. Attendance at BC Place Stadium reduced with fewer spectators at BC Lions games. At Tradex, attendance increased with more visitors to consumer shows, and with the addition of an event that attracted 20,000 guests.

To improve, expand and diversify our properties

PavCo is responsible for operating, maintaining and upgrading more than \$200 million in capital assets. The Corporation is not allowed to create reserves to provide for replacement of major assets, so the shareholder needs to be informed of their remaining useful lives.

Capital Investments (in \$ millions)



Physical appearance and the range of services provided are important factors in persuading potential clients to book events at the Corporation's facilities. The measures required to monitor physical assets are as follows:

Measure estimated remaining lifespan of major assets

The major assets that will require extraordinary funding to provide for replacement include the roofs at BC Place Stadium and the Vancouver Convention & Exhibition Centre, and the internal video boards and artificial turf at BC Place Stadium. At March 31, 2003, the remaining lives for these assets were estimated at between two and fifteen years. The most pressing project is the replacement or upgrade of the artificial turf at BC Place Stadium.

Measure rate of replacement of assets.

For Fiscal 2003, the actual rate of replacement of assets at the facilities was 0.6 per cent, which compared to 0.9 per cent in Fiscal 2002 and was a result of reduced funding to the Corporation.

To create healthy and supportive work environments for personal and organizational success

Measure Employee Turnover

PavCo's large part-time employee population results in a high turnover rate, typically in the 20 to 30 per cent range. The 20 per cent total this fiscal year was slightly reduced from Fiscal 2002. Turnover of full and part-time staff at the facilities was lower than in the previous year as a result of fewer external opportunities in a tight labour market. There was significant downsizing of the Corporate Office staff during the year as a result of the Core Services Review recommendations.

Measure absenteeism

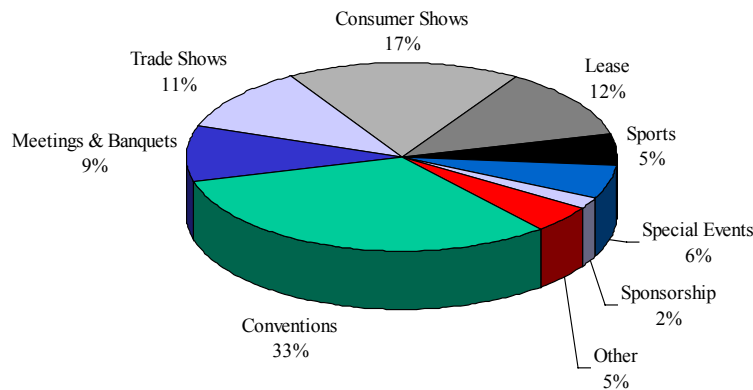
Time lost due to sickness and injury is disruptive and costly to the Corporation. Absenteeism per non-union employee increased from 4.5 days in Fiscal 2002 to 5.3 days in Fiscal 2003, and increased from 9.75 days to 18.6 days per union employee. The increase in absenteeism was a result of several long-term employee absences. Absenteeism for exempt employees was lower than Canadian averages, and absenteeism for unionized employees was higher than Canadian averages.

HIGHLIGHTS OF FINANCIAL PERFORMANCE

The Corporation generated an estimated \$509 million in economic benefits to the Province of British Columbia during the year ended March 31, 2003, marginally higher than for Fiscal 2002. Economic benefits from an increase in the number of visitors to the Vancouver Convention & Exhibition Centre were partially offset by lower activity for feature film productions at the Bridge Studios.

Revenue Distribution By Type

Fiscal 2003



Operational results for the year ended March 31, 2003 were significantly better than expected. Reduced revenues were more than offset by reduced operating costs with the downsizing of the organization and lower than expected utility costs during the winter months. Costs include a provision for the cessation of operations. Capital expenditures fell below previous years' levels as a result of uncertainty over the future of the facilities and due to reduced funding available to implement capital programmes.

Vancouver Convention & Exhibition Centre generated the highest revenues and economic benefits for the year. The facility's highest revenue generator was conventions, providing nearly 60 per cent of total income. Convention revenues, which had declined after September 11, 2001, are slowly recovering.

Net income from and economic benefits generated by activity at the Bridge Studios declined during Fiscal 2003. Over 50 per cent of the Studios' revenues were from multi-year rental contracts, with the balance from short-term agreements. Short-term rentals declined due to increased competition from other studios, and also as a result of noise issues from Skytrain affecting operations of the Effects Stage. Since the Millennium Line started operations, rental of the Effects Stage has only been possible to productions not requiring sound recording.

Performance improved at BC Place Stadium, with an increase in revenues and a decline in facility costs. An increase in non-traditional facility event revenues was offset by a decline in sponsorship and advertising income. Mild winter conditions significantly reduced utility expenses for the facility.

Tradex completed the year ahead of financial expectations with unbudgeted event activity and reduced facility costs. Capital repairs projects have become an issue as the facility ages. Occupancy continued at close to capacity during the show seasons. However the facility remained challenged to attract viable events for the non-peak months.

The Corporate Office downsized significantly during the year and the excess office space was sub-let for the balance of the lease term. This resulted in substantial savings in operational costs.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

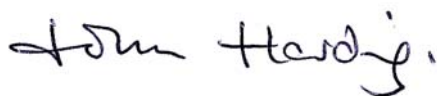
The accompanying financial statements of B.C. Pavilion Corporation for the year ended March 31, 2003 and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the financial statements for the year ended March 31, 2003 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, 2003 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 financial records are reliable and 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 on behalf of the Shareholder by Grant Thornton LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards and their report follows.



John Harding
Chief Financial Officer
May 2, 2003

Auditors' Report

To the Shareholder of B.C. Pavilion Corporation

We have audited the balance sheet of B.C. Pavilion Corporation as at March 31, 2003 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 Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

GRANT THORNTON LLP

Vancouver, Canada
May 2, 2003

Chartered Accountants

P.O. Box 11177, Royal Centre
Suite 2800
1055 West Georgia Street
Vancouver, British Columbia
V6E 4N3
T: (604) 687-2711
F: (604) 685-6569
E: Vancouver@GrantThornton.ca
W: www.GrantThornton.ca

Canadian Member of Grant Thornton International

Balance Sheet

(in thousands)

March 31	2003	2002
Assets		
Current		
Cash	\$ 3,706	\$ 3,985
Receivables	1,541	1,711
Prepays	968	583
	<u>6,215</u>	<u>6,279</u>
Capital assets (Note 3)	<u>138,563</u>	<u>141,712</u>
	<u>\$ 144,778</u>	<u>\$ 147,991</u>
Liabilities		
Current		
Trade payables and accrued liabilities	\$ 2,704	\$2,761
Accrued costs of cessation of operations	1,331	1,201
Unearned revenue	3,239	3,718
	<u>7,274</u>	<u>7,680</u>
Deferred government contributions (Note 4)	<u>108,446</u>	<u>111,446</u>
	<u>115,720</u>	<u>119,126</u>
Shareholder's Equity		
Capital stock (Note 5)	1	1
Contributed surplus	31,131	31,131
Operations deficiency	(2,074)	(2,267)
	<u>29,058</u>	<u>28,865</u>
	<u>\$ 144,778</u>	<u>\$ 147,991</u>

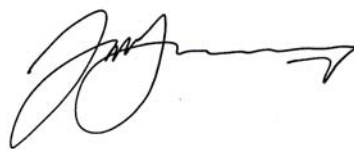
Cessation of operations (Note 1)

Commitments (Note 8)

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.

Statement of Operations and Operations Deficiency

(in thousands)

Year Ended March 31	2003	2002
Revenues from operations	\$ 26,657	\$ 27,304
Direct costs	<u>11,908</u>	<u>12,269</u>
	14,749	15,035
Facility expenses		
Staffing	6,359	7,483
Operating	5,180	5,128
General and administration	1,892	1,880
Business development	677	718
Fees	569	766
Depreciation	<u>4,378</u>	<u>4,566</u>
	19,055	20,541
Loss before other expenses	<u>4,306</u>	<u>5,506</u>
Other expenses		
Severance payments and other costs of cessation of operations (Note 1)	901	1,201
Proposed convention centre expansion	-	1,589
	<u>901</u>	<u>2,790</u>
Loss before government contributions	<u>5,207</u>	<u>8,296</u>
Government contributions (Note 4)		
Deferred contributions applied to offset depreciation recorded on capital assets contributed by the Province of British Columbia	4,341	4,520
Deferred contributions from the Province of British Columbia for operating purposes utilized		
To fund current operations deficiency	866	1,509
To fund prior year operations deficiency	<u>193</u>	<u>-</u>
	5,400	6,029
Net operations surplus (deficiency)	<u>\$ 193</u>	<u>\$ (2,267)</u>
Operations deficiency, beginning of year	\$ (2,267)	\$ -
Net operations surplus (deficiency)	<u>193</u>	<u>(2,267)</u>
Operations deficiency, end of year	<u>\$ (2,074)</u>	<u>\$ (2,267)</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

(in thousands)

Year Ended March 31	2003	2002
Cash derived from (applied to)		
Operating		
Loss before government contributions	\$ (5,207)	\$ (8,296)
Depreciation	4,378	4,566
Unearned revenue	(479)	109
Change in non-cash operating working capital (Note 7)	(142)	1,269
	<u>(1,450)</u>	<u>(2,352)</u>
Financing		
Contributions from the Province of British Columbia	2,400	3,000
Investing		
Capital asset additions	(1,229)	(1,787)
Net decrease in cash	<u>(279)</u>	<u>(1,139)</u>
Cash		
Beginning of year	<u>3,985</u>	<u>5,124</u>
End of year	<u>\$ 3,706</u>	<u>\$ 3,985</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(in thousands)

March 31, 2003

1. General

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

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

In February 2002, at a meeting with the Core Review and Deregulation Task Force, the Task Force recommended that various changes be made to the service delivery model of B.C. Pavilion Corporation. The changes recommended included the sale, transfer and cessation of some operations.

The impact of that decision on the Corporation's operations has been considered and provision has been made in these financial statements for the Corporation's estimate of incremental costs expected to be incurred related to severance of employees and commitments for lease of premises and parking improvements. All other costs that will be incurred until cessation of operations are considered ordinary operating costs and will be accounted for as such in future financial statements.

2. Summary of significant accounting policies

Use of estimates

In conformity with generally accepted accounting principles, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those reported.

Capital assets

Capital assets funded through contributions by the Province of British Columbia, either to the Corporation or to predecessor Crown corporations, 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 fair value less accumulated depreciation.

Notes to the Financial Statements (continued)

(in thousands)

March 31, 2003

2. Summary of significant accounting policies (Continued)

Capital assets (Continued)

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

Buildings and improvements	10 to 50 years: original buildings are depreciated on the sinking fund method and improvements on the straight line method
Furniture	5 years, straight line
Computers	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
Other capital assets	1 to 10 years, straight line

Government contributions

Funding received from the Province of British Columbia is deferred until utilized:

- Funding used for operations is recognized as a recovery in the statement of operations to the extent operating expenses exceed revenues. If revenues exceed operating expenses, the excess is considered a recovery of prior years funding and is transferred to deferred contributions.
- Funding used for acquisition of depreciable capital assets is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets.
- Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to contributed surplus when the related assets are acquired.

Revenue recognition

Revenue from events at BC Place Stadium, Tradex and the Vancouver Convention & Exhibition Centre is recognized on the completion of events. Revenue from Bridge Studios is recognized as the facility is utilized. Amounts received in advance of event completion and facility utilization are recorded as unearned revenues.

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.

Notes to the Financial Statements (continued)

(in thousands)

March 31, 2003

2. Summary of significant accounting policies (Continued)

Superannuation fund

The employees and employers of the Public Service and Miscellaneous Employers contribute to the Public Service Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a \$546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. B.C. Pavilion Corporation paid \$369,016 for employer contributions to the plan in fiscal 2003.

Financial instruments

The Corporation 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.

3. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2003 Net Book Value</u>	<u>2002 Net Book Value</u>
Facilities				
BC Place Stadium	\$ 174,596	\$ 47,272	\$ 127,324	\$ 129,664
Bridge Studios	14,431	6,695	7,736	8,399
Tradex	5,394	3,159	2,235	2,460
Vancouver Convention & Exhibition Centre	5,307	4,043	1,264	1,152
Corporate Office	143	139	4	37
	<u>\$ 198,871</u>	<u>\$ 61,308</u>	<u>\$ 138,563</u>	<u>\$ 141,712</u>

Notes to the Financial Statements (continued)

(in thousands)

March 31, 2003

4. Deferred government contributions

	<u>Capital Assets</u>	<u>Operating</u>	<u>2003 Total</u>	<u>2002 Total</u>
Balance, beginning of year	\$ 111,446	\$ -	\$ 111,446	\$ 114,475
Contributions received from the Province of British Columbia	1,341	1,059	2,400	3,000
	<u>112,787</u>	<u>1,059</u>	<u>113,846</u>	<u>117,475</u>
Allocated to operations:				
To fund current operating deficiency	-	(866)	(866)	(1,509)
To offset depreciation recorded on related capital assets	(4,341)	-	(4,341)	(4,520)
To fund prior year operating deficiency	-	(193)	(193)	-
	<u>(4,341)</u>	<u>(1,059)</u>	<u>(5,400)</u>	<u>(6,029)</u>
Balance, end of year	<u>\$ 108,446</u>	<u>\$ -</u>	<u>\$ 108,446</u>	<u>\$ 111,446</u>

5. Capital stock

2003

2002

Authorized:

10,000 common shares without par value

Issued:

1 share, held by Her Majesty the Queen in
right of the Province of British Columbia

\$ 1

\$ 1

Notes to the Financial Statements (continued)

(in thousands)

March 31, 2003

6. Environmental costs

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

7. Change in non-cash operating working capital	2003	2002
Receivables	\$ 170	\$ 1,343
Prepays	(385)	212
Trade payables and accrued liabilities	(57)	(1,487)
Accrued costs of cessation of operations	130	1,201
	<u>\$ (142)</u>	<u>\$ 1,269</u>

8. Commitments

The Corporation is committed under long term, non-cancellable operating leases requiring future minimum payments of \$200 thousand for each of the next three years.

The Corporation has contracted to pay \$900 thousand over ten years ending 2010 for traffic and parking improvements at a facility. \$700 thousand remains outstanding at March 31, 2003.

With respect to both of these commitments, appropriate accruals have been made and included in "accrued costs of cessation of operations".

9. Related party transactions

In the normal course of operations, the Corporation acquires from and sells goods and services to the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

GOVERNANCE

The Provincial government appoints the Chairman and the Board of Directors of PavCo. Under the Company Act the President and CEO is also a Director.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives of the Provincial government. These policies and directives are communicated to the Board through the Chairman. The performance results to be achieved by the Corporation and the guidelines placed on how these results are achieved are governed by Board policies and communicated to staff through the Chairman. In the case of a vacancy, the Board, in consultation with the Minister responsible, appoints the President and CEO.

The Board currently has two standing committees: Audit and Finance, and Governance. The Audit and Finance Committee overlooks financial reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with staffing and compensation issues and the implementation of all changes to be made as a result of the Core Services Review. Both committees review and develop matters in their specific areas and make recommendations to the full Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

BOARD OF DIRECTORS:

Doris Bradstreet Daughney, *Chairman, President & CEO* (A;G)

Norm Assam (A)

John Horning (A;G)

Daniel Jarvis (G)

Miriam Kresivo (G)

David Mindell (A)

COMMITTEES

A Audit and Finance; G Governance

MANAGEMENT COMMITTEE :

Howard Crosley, General Manager, BC Place Stadium

John Harding, Chief Financial Officer & Corporate Secretary

Barbara Maple, General Manager, Vancouver Convention & Exhibition Centre

Lauren Thomas, General Manager, Tradex

EVENT HIGHLIGHTS FROM FISCAL 2003

VCEC

281 Events

Amway Japan
Canadian Cable Television Association
American Society of Neuroradiology
Canadian Institute of Mining Convention
Canadian Labour Congress
Shriners, Imperial Council
Handweavers Guild of America
International Transportation Federation
Congress
International Society of Blood Transfusion
Canada Yan Xin Qigong Festival

The Bridge Studios

18 Productions

Jeremiah
Stargate
Dead Like Me
Miracle on Ice
Glory Days
Santa Claus 2
Television Commercials

BC Place Stadium

59 Events

Pacific International Auto and Light Truck Show
BC Home and Garden Show
Vancouver International Boat Show
Vancouver Gift Shows
Vancouver Golf, Travel and Outdoor Show
Playdome
Motorspectacular
BC Lions Football
Food Expo
Various Film Shoots

Tradex

37 Events

Vancouver International Motorcycle Show
Fraser Valley Boat & Sportsmen's Show
Lower Mainland Dog Fanciers Show
Western Manufacturing Technology Show
Best of the West Antique Expo
Snowbird RV Show & Sale
Fraser Valley Home & Garden Show
Abbotsford Collector Car Show & Auction
Pacific Agriculture Show
Truxpo 2002

WHERE TO FIND US

CORPORATE OFFICE

600 – 375 Water Street
Vancouver, B.C. Canada V6B 5C6
Tel: (604) 482-2200
Fax: (604) 681-9017
Email: info@bcpavco.com
Web: www.bcpavco.com

BC PLACE STADIUM

777 Pacific Boulevard
Vancouver, B.C. V6B 4Y8
Tel: (604) 669-2300
Fax: (604) 661-3412
Web: www.bcplacestadium.com

THE BRIDGE STUDIOS

2400 Boundary Road
Burnaby, B.C. V5M 3Z3
Tel: (604) 482-2000
Fax: (604) 482-2007
Web: www.bridgestudios.com

TRADEX

Fraser Valley Trade & Exhibition Centre
1190 Cornell Street
Abbotsford Airport
Abbotsford, B.C. V2T 6H5
Tel: (604) 850-1533
Toll Free: (604) 857-1263
Fax: (604) 850-7699
Web: www.fvtradex.com

VANCOUVER CONVENTION & EXHIBITION CENTRE

200 – 999 Canada Place
Vancouver, B.C. V6C 3C1
Tel: (604) 689-8232
Fax: (604) 647-7232
Web: www.vanconex.com