



PACIFIC NATIONAL EXHIBITION ❖ ANNUAL REPORT

April 1, 2016 – March 31, 2017



Pacific National Exhibition



Message from the Chair of the Board of Directors and the President and Chief Executive Officer . . .	3
Highlights From Fiscal 2016	4
Introduction	6
The PNE's Role at Hastings Park	6
The Structure of the PNE Organization	7
The PNE's Role in the Hastings Sunrise Community	8
The PNE's Role beyond Hastings Park	11
Commitment to Sustainability	12
Bright Future at Hastings Park.	16
Annual Business Results – 2016	17
Playland	18
The Fair at the PNE	22
Year-Round Events.	28
Park and Facility Maintenance	39
Celebrating Team and Success	40
The PNE's Future Is Bright	41
Report of Management's Responsibility for Financial Statements.	42
Corporate Governance	43
Statement of Financial Position	48
Statements of Operations.	49
Statements of Changes in Net Debt	50
Statement of Cash Flows	51
Notes to Financial Statements.	52-60



NIGHT NATION RUN AT THE PNE AMPHITHEATRE

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Over the past 10 years, the PNE has been able to showcase success and growth across all its activity streams. As an organization, we have made investments into facilities, park space and attractions; moved several Hastings Park Master Plan projects forward with the City of Vancouver; improved our sustainability practices; and implemented a successful new Governance structure that delivers broader community input. These priorities continue to be our focus at the PNE.

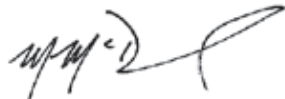
And we are proud to celebrate another successful year. 2016 brought with it many achievements across several activity streams and once again these successes exemplify the strength of this iconic non-profit organization. It also demonstrates the importance of diversity and of having a mix of community events and commercial events, of having both green space and viable facilities. This diversity offers the flexibility to see challenges in one area offset by the successes in other areas. In doing so, the PNE has been able to provide another year of great memories for millions of guests and park users.

During 2016, the PNE encountered a couple of noteworthy issues. The Vancouver Giants moved venues, and challenging weather during the second week of the Fair at the PNE meant that while Fair attendance was strong, it was not as strong as projected. However, Playland and year-round events exceeded financial and attendance targets. And although the Coliseum was no longer home to the Giants, the venue flourished with new, exciting events. In the end, the PNE generated \$46.36 million in total revenues, produced another positive net contribution of \$613,572 and grew its accumulated surplus to \$1.95 million, all of which is invested back into the site, facilities and programs.

As we look back over the year and celebrate our successes and the challenges we overcame, we would like to acknowledge the efforts of the PNE's staff and management team. Through their tireless efforts, forward thinking, flexibility and resilience, we continue to have the privilege of moving this iconic institution forward. We would also like to take this opportunity to personally thank the Board of Directors for their ongoing guidance and invaluable support to the organization. We look forward to making continual improvements to Hastings Park and to remaining strong, active members of the Hastings Sunrise community.



Raymond Louie
Chair, Board of Directors



Michael McDaniel
President and
Chief Executive Officer

HIGHLIGHTS FROM FISCAL 2016



Despite weather challenges during Fair, PNE showcases strength with another year of positive net income



Huge year for family shows at the PNE



Although Vancouver Giants move to Langley, Coliseum sees growth in new events

(APRIL 1, 2015 – MARCH 31, 2016)



New Coliseum feature show
UNBELIEVABLE is huge hit during Fair



Sustainability and community
investment remain top priorities



The Beast ride remains a big guest hit in year two



INTRODUCTION

Growth and diversity are what continue to make this complicated organization flourish. The successful operation of the PNE's many weather-dependent business activities requires a delicate balance of indoor and outdoor events, community use and commercial use of facilities, and continued investment balanced with fiscal responsibility. The PNE team prides itself on their ability to effectively grow a business while being ready to mitigate losses at any moment. 2016 again provided a perfect example of how, although bad weather can negatively affect the Fair's finances by millions of dollars, overall net income was positive, due to strong seasons at Playland and Fright Nights and a thriving portfolio of year-round events. The PNE regularly delivers a positive net income and at the end of 2016 fiscal year, the PNE's accumulated operating surplus was \$1.946 million. As a non-profit organization, all surpluses are invested directly back into the organization, grounds, events, programs and facilities.

As we move into 2017, the future remains very bright for the PNE. Continued implementation of the approved Master Plan for Hastings Park provides a solid foundation for the organization's growth as well as for enjoyment of the site by guests and the local community. Continued investments into Fair, Playland and Fright Nights attractions are keeping guests engaged. Continued diversification in the year-round event portfolio and the execution of new business development ideas will provide a strong basis for ongoing success. Sustainability remains at the forefront of our planning and, in all that we do, the PNE remains committed to helping achieve the Greenest City Action Plan, the Healthy City initiative and the Urban Forest Strategy.

THE PNE'S ROLE AT HASTINGS PARK

At over 165 acres, Hastings Park is one of Vancouver's largest urban parks, drawing visitors from across the region. The land was granted to the City of Vancouver by the Province of British Columbia in 1889 as part of the Hastings Park Trust. Hastings Park is a community, city-wide and regional asset and a year-round destination. It is a celebration site and a social gathering spot that brings people together for organized events as well as for unorganized activities.

For 107 years, since its foundation in 1910, the PNE has operated from Hastings Park, hosting an annual Fair as well as operating Playland amusement park from April to October each year. In recent decades, the mandate of the PNE and Hastings Park has expanded to include a more comprehensive array of activities and year-round use of the many venues. This activity not only contributes to the PNE's \$145 million economic benefit to the region, but also contributes to the

creative economy by providing a year-round outlet for family shows, concerts, exhibitions, community events and cultural activities. The PNE also proudly cares for the parks and open spaces on-site.

Hastings Park is a diverse space that spans Renfrew Street on the west to Bridgeway on the east, and from McGill on the north to Pender on the south. Within that space, the PNE manages 105 acres of Hastings Park on behalf of the City. Hastings Racecourse is operated by the Great Canadian Gaming Corporation through a lease with the City, Empire Fields and the Hastings community centre space are operated by the Vancouver Park Board on behalf of the City, and the E-Comm 9-1-1 call and dispatch centre is operated by Emergency Communications for British Columbia.

THE STRUCTURE OF THE PNE ORGANIZATION

The PNE is a non-profit organization with four activity streams. The most significant and well-known of the four activity streams is the Fair at the PNE, an annual summer tradition that draws an average of 800,000 guests each year from across British Columbia to be entertained and to experience a range of foods, live shows, rides and exhibits. This event accounts for almost 50% of the PNE's annual revenues. The PNE's second activity stream is Playland Amusement Park. Playland, which is open from April through October each year, entertains more than 375,000 guests (outside of Fair-time) with games, food, and 35+ rides and attractions. This activity stream accounts for approximately 25% of the PNE's annual revenues. The third activity stream is the year-round events portfolio. This includes the use of all of the on-site facilities to host concerts, sporting events, festivals, and cultural and community events. While some facilities on-site are dedicated primarily to community programs that are subsidized by the PNE, the year-round events in the remaining venues account for the remaining 25% of the PNE's annual revenues. The fourth activity stream is facility maintenance and park development. The PNE is responsible for the care and upkeep of indoor facilities such as the Pacific Coliseum, Forum, Agrodome, Rollerland, Livestock building and Garden Auditorium. The PNE also ensures that outdoor spaces – including the Sanctuary, Italian Gardens, Momiji Garden, the centre grounds and all outdoor spaces within the 105-acre border – are cared for and thrive for guests and the local community to enjoy. The organization has specially trained horticultural teams on staff to ensure that the public park spaces remain in their naturally intended states. To ensure best practices for park spaces, the PNE collaborates with Vancouver Park Board staff throughout the year,

and their valuable input is reflected throughout the site. Although management of the facilities and park space does not generate revenue, the care of the facilities and grounds is a regularly budgeted expense. In 2016, the PNE invested over \$6 million into facility and park care to ensure that these public spaces remained well taken care of and ready to be enjoyed year-round.

In 2013, after extensive review, a new Governance structure was approved by City Council for PNE/Hastings Park and in December 2015, a new Board of Directors was officially appointed to oversee both entities. Under this structure, the PNE and the Park are governed by a City Council-appointed Hastings Park/PNE Board of Directors that includes business and community leaders as well as elected officials and senior staff from both the City of Vancouver and the Vancouver Park Board. A Community Advisory Committee was also implemented as part of the new approach. Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is – and always has been – a not-for-profit organization that invests one hundred per cent of proceeds back into the site, facilities and programs, and into the upkeep of green spaces.

The PNE has proudly managed and governed Hastings Park since it was granted in trust to the City more than a century ago. During that time, the PNE has gained 105 years of experience with, and knowledge of, this unique site. That experience allows the PNE to maintain a balance of community and commercial uses on-site. This is essential to providing the PNE with the financial flexibility to invest millions annually to support community use of the site and to enhance park spaces.

Did You Know?

The PNE is a non-profit organization and, as a financially viable non-profit entity, all profits are invested back into the site, green spaces, facilities and programs.

The organization is owned by the City of Vancouver and is governed by a Board of Directors that includes business and community leaders, as well as a senior staff and elected officials from the City of Vancouver and from the Vancouver Park Board.

Three times per year, the PNE has open Board meetings, where community members can come and speak to relevant issues that affect them.

The PNE spends \$6 million every year to care for and enhance the park space and maintain the site facilities.

As the largest employer of youth in British Columbia, the PNE provides a wide range of much-needed first jobs that build essential skills for the next generation of workers and leaders.



THE PNE'S ROLE IN THE HASTINGS SUNRISE COMMUNITY

Since its inception in 1910, the PNE has been proudly rooted in the heart of Hastings Park and the Hastings Sunrise community. The organization remains dedicated to positively impacting the neighbourhood and to working hard to mitigate any impacts from events held on-site. And while the PNE receives unparalleled support from many neighbours and from the vast majority of Vancouver residents, the PNE management team remains committed to consulting with the community and enhancing our positive influences now and into the future. Two avenues through which they do this are the PNE Neighbourhood Focus Group and the PNE Community Advisory Committee.

The PNE supports a variety of local community activities through the direct financial subsidy of several on-site programs. This includes providing over 2,000 hours of community ice programs in the Agrodome, at rates equivalent to those offered by community rinks, to 16 hockey and skating groups throughout the year. The largest users of this space continue to be the young hockey players in the Vancouver Minor Hockey Association and the figure skaters in the Vancouver Skating Club. For 13 years, the PNE has also provided the CircusWest training school with a low-cost home in the Garden Auditorium for their exclusive use 11 months of the year. The PNE partners with local schools, sport groups and non-profit organizations to support initiatives from fundraising to student leadership. As part of that partnership, the PNE provided complimentary space and management support to a variety of

events coordinated by neighbourhood groups in 2016, including the Community Policing Centre Volunteer Appreciation Dinner, special nature walks hosted by Hastings Park Conservancy, the LightWaterDrums Festival, Templeton School Hub Grade 7 Conference and the Nikkei National Museum & Cultural Centre walking tours of Hastings Park. As well, throughout the year, the PNE makes use of the electronic readerboard at the corner of Hastings and Renfrew to run complimentary messages for local non-profit groups such as the BC Transplant Society, the Hastings Community Little League and the Cerebral Palsy Association of BC, in addition to promoting the large range of events happening on-site.

The PNE is also one of the largest local supporters of the Hastings Community Little League (HCLL). For over 50 years, the HCLL has provided thousands of children with the opportunity to have fun while being active and learning valuable skills such as teamwork. The PNE provides a complimentary Playland PlayPass to 425 league players each year, plus free indoor practice space. The PNE has also provided the organization with fundraising opportunities to help fund upgrades to the ball diamonds in preparation for their successful hosting of the 2016 Little League Canadian Championships. These efforts include HCLL Community Day in Playland, where \$10 of every purchased Playland admission is donated to HCLL. In 2016, another \$14,530 was raised for HCLL through this initiative. In total, the PNE has raised more than \$100,000 for HCLL since 2010.

In 2016, the PNE proudly hosted the Terry Fox National School Run Day on-site for the 11th year. Eight schools from the Hastings Sunrise area participated in raising awareness and funds for The Terry Fox Foundation. The PNE provides complimentary logistical support as well as snacks and water. This year, 1,410 kids ran a course in the park to promote physical activity, to help increase cancer awareness and to honour Terry Fox.

2016 was also the second annual PNE Neighbourhood Party in Playland. Thousands of local residents were invited to Playland on June 29 to enjoy a free private event. The PNE was proud to say “thank you for being great neighbours” to over 4,000 guests, who enjoyed a great night filled with rides, games and mini-donuts.

As well, in 2016, the PNE again partnered with the Vancouver Farmers Markets society to provide a home to the Hastings Park winter and spring farmers’ markets from November 6 to April 30. Every week, a diverse and evolving group of approximately 40 vendors came out to sell local produce, meats, fish, jams, spirits, crafts and baked goods. The PNE proudly subsidizes the program with over \$10,000 each year, including covering operational costs such as the set-up of garbage/recycling/compost bins; waste pickup; the set-up of bike racks, heaters, power and tents; pre- and post-event cleaning; and providing washrooms, picnic tables, signage, and promotional and operational support as needed.

The PNE again partnered with the Vancouver Park Board and the Freshwater Fisheries Society of BC (FFSBC) to host a Learn to Fish program in the Sanctuary, which it has hosted annually since May 2013. As is done in over 80 freshwater ponds in Greater Vancouver, this program calls for the Sanctuary to be stocked by the FFS with rainbow trout during the spring and fall. The Learn to Fish program provides the opportunity for local adults and youth to learn about fishing. The program is designed for anglers to fish from the dock on the north end of the Sanctuary; all users 16 years and older require a fishing licence. Research showed that over 2,000 hours of fishing were logged in the Sanctuary by hundreds of users. The habitat continues to be closely monitored to ensure the program does not negatively impact the more than 125 species currently sharing the Sanctuary space.

The PNE recognizes that large celebrations and events bring positive impacts – and sometimes negative ones – to the surrounding community. To help identify issues and opportunities, the Community Advisory Group (CAG), which is a group of eight local and city-wide representatives selected through a City of Vancouver application process, met six times during 2016. The group provides constructive input to PNE staff regarding items such as on-site programming, implementation of aspects of the Hastings Park/ PNE Master Plan, and operational issues that affect the local community, city or region. The CAG complements the Neighbourhood Focus Group, which consists of approximately 20 local neighbours who meet twice per

year with the PNE senior management team to provide open feedback, discuss issues and provide input on ways to mitigate negative impacts, as well as to discuss how best to build on the positive aspects of the PNE’s role in the community. The PNE is proud of the programs it has developed to support the local community and to help minimize impacts.

As a result of the PNE’s engagement with these groups, a number of programs have

been developed to minimize negative impacts on the neighbourhood during large events like the Fair, and to help keep the residential areas clean and safe. These include the PNE’s Neighbourhood Clean-Up Crew and Neighbourhood Bike Patrol. The Clean-Up Crew goes out during the Fair, during the Playland season and during Fright Nights. The Bike Patrol is out in the community during the Fair, at Fright Nights and at many Coliseum events. As well, the rental of parking lots from local schools during the Fair helps reduce neighbourhood parking impacts while providing the schools with funding to support the programs of their choice. The PNE engages local businesses and residents with complimentary tickets to attend PNE events; it also provides complimentary window painting to businesses in the Hastings North Business Improvement Association (BIA), offering those businesses an opportunity to get involved with the Fair. To further help local avid park users, the PNE ensures that residents in the Hastings Sunrise area have access to special passes that allow them to continue to enjoy paths for jogging and other regular park activities during the 17 days of the Fair. In addition, electronic and hard copy newsletters were sent out eight times in 2016 to keep the community abreast of events and upcoming initiatives.





PNE YOUTH COUNCIL, 2016

GIVING BACK

Although the PNE is itself a non-profit organization, we take great pride in generously giving back to other local organizations that are doing work to support our shared communities.

- In 2016, more than 17,000 tickets were provided to local residents so they could come and enjoy PNE events. This is a 10% increase over 2015 and we continue to see growth in this program year over year. In 2016, more residents took part in enjoying complimentary events on-site than during any other year in the PNE's history.
- 519 non-profit organizations and kids' programs received over 3,400 tickets through various ticket donation programs in 2016. Although the groups who receive ticket donations change from year to year, some of the recipient groups for 2016 included Variety - The Children's Charity, The BC Cancer Foundation and the Juvenile Diabetes Research Foundation.
- Over 2,700 tickets were donated to 15 schools and eight local organizations through our community ticket donation program. Recipients included local elementary and high schools, as well as local community groups like the Franklin Community Association, Hastings North BIA, Hastings Sunrise Community Policing Centre, Kiwassa Neighbourhood House and Hastings Community Centre.
- Now in its seventh year, the PNE Youth Council brings together 12 community-minded youth aged 16–18 from across the Lower Mainland to serve a one-year term to learn about the PNE and to advise the PNE on a range of topics. The Youth Council provides its members with leadership opportunities and the chance to build presentation skills and to learn more about business topics at the PNE from the senior management team. This year, Council members represented Burnaby, Surrey, Richmond, North Vancouver, Coquitlam and Vancouver.



THE PNE'S ROLE BEYOND HASTINGS PARK

IMPACT ON THE ECONOMY

The PNE is a strong driver of the local economy, averaging total revenues of \$47.3 million each year across its four activity streams (\$44.1 million–\$51.4 million, with a seven-year average of \$47.7 million). An economic impact study conducted by Pannell Kerr Forster in 2002 estimated that PNE activity streams contributed an estimated \$139.1 million share of the value-added gross domestic product (GDP) for BC (in 2002 dollars), with \$115.2 million of this generated in the Vancouver census metropolitan area (CMA). These same PNE activities provide \$94.7 million each year in staff wages in BC, \$80.0 million of which was retained in the Vancouver CMA.

Contributions specific to each activity stream are as follows.

Playland welcomes over 375,000 guests annually (300,000 to Playland during its regular season, plus an additional 75,000 each year to Fright Nights), and generates several hundred local jobs and approximately \$11.5 million in gross revenues annually (\$10.6 million–\$14.3 million, with a seven-year average of \$12.2 million).

The 17-day Fair at the PNE averages 750,000 to 800,000 guests each year (678,193–937,000, with a seven-year average of 768,089 guests). The Fair also generates \$24 million in revenues each year (\$22 million–\$26.1 million, with a seven-year average of \$23.7 million). Total economic impact of the Fair on British Columbia specifically related to GDP is over \$58 million, with \$30 million in salaries and wages, and \$25 million in total taxes. (Source: Demand-Side Economic Impact Reporting for Industry Canada conducted by EventCorp in 2010.)

Year-round events at the PNE such as concerts, sporting events and film, cultural and community events generate total revenues in excess of \$11 million annually (\$8.8 million–\$13.7 million, with a seven-year average of \$11.1 million). The PNE organization also invests approximately \$6 million annually in facility maintenance and park development.

SUPPORTING STRONG TOURISM

The PNE is also proud to contribute to municipal, provincial and national tourism efforts, and supports a strong local tourism market in a number of ways. For example, the Fair draws 85% of its guests from the Lower Mainland, 11% from elsewhere in BC and 4% from beyond the province. Approximately 11% of guests travel more than 80 kilometres to visit the Fair. An independent research study commissioned by the federal government in 2010 showed that 86% of those guests who travelled more than 80 kilometres said that the Fair either influenced their trip or was the main purpose of their trip. A large proportion (65%) of those guests stay over each year in the Vancouver area, for an average of 3.5 nights each. Approximately 40% of overnights use commercial accommodations, resulting in more than \$1.7 million annually in spending on lodgings. And more than 20% of Fair guests extend their travel to other regions of Canada, resulting in additional spending of over \$5.5 million each year. Through the Hastings Park Master Plan and Playland Redevelopment Plan, the PNE looks forward to expanding Vancouver's tourism content by providing an accessible, world-class attraction with enhanced public amenities for regional residents and tourists to enjoy.



COMMITMENT TO SUSTAINABILITY

It is important to the PNE to continually review and improve our efforts in this area and to remain aligned with the City of Vancouver in its goals. With this in mind, in 2013, through a grant from our partner Vancity, the PNE worked with a group of external sustainability consultants who identified a number of areas for the PNE to focus on in the coming years. One key area was waste management, and through strategic investment and dedicated effort, the PNE achieved significant improvement in waste diversion in 2014 and 2015.

In 2016 we continued to evolve our sustainability program by aligning our efforts under three strategic pillars: Zero Waste, Green Buildings and Green Lifestyle. This plan was developed in consultation with our team and corporate partners to focus on infrastructure, processes, education and communication while setting key benchmarks for the next three years. This strategy aligns with the City of Vancouver's Greenest City Action Plan and we are proud to work with our sustainability partners Vancity, Waste Control Services, Encorp, the Binners' Project, BC Hydro and Safeway to bring our efforts to life.

Zero Waste continues to be a key area where the PNE can demonstrate significant impact. A new partnership with the Binners' Project allowed us to accelerate our success during the Fair by utilizing the Binners' Project staff waste diversion expertise to educate Fair guests in correct waste diversion methods while at the same time fostering social and economic inclusion for the Binners' Project staff. In 2016 the PNE increased the number of waste diversion stations by 10%

to 101 permanent stations for the site and added an additional 35 temporary stations during the Fair. The combined efforts of education and infrastructure increased our total waste diversion over the 15 days of the Fair by 5%, with over 350 metric tonnes of waste diverted from landfills. And, on a more qualitative front, there were a number of wins for the Binners' Project in being able to partner with such a large event like the Fair, including increased exposure for the program, the ability to expand staffing and, through media coverage of the initiative, allowing one of the homeless Binners' Project staff to reconnect with family he had lost touch with decades ago – family who saw his TV interview about this project.

Our Green Buildings pillar is aimed at continuing to reduce energy use, water consumption and greenhouse gas emissions across the site. With improved maintenance strategies and upgrades to infrastructure, we now have 98% of all Playland rides transitioned to high-efficiency lighting; a new LED lighting package is planned for the Forum with programmable thermostats. The Garden Auditorium transitioned to a high-efficiency boiler, and the PNE Prize Home for 2016 was Energy Star rated.

The Green Lifestyle pillar aligns those programs and services that embody strong environmental values with how we buy, eat and travel, and how we care for the park spaces and nature. A key priority for the lifestyle program is healthy options for our guests as well as local sourcing. In 2016, two healthy options vendors were added to

the Fair food truck program, along with an expanded Market Fresh Stand operated by the PNE. Market Fresh includes healthy salads, and fresh fruit and veggies, many of which are grown here on-site in our Chef's Garden.

This year, the PNE Chef's Garden was expanded to include six beehives in partnership with Six Legs Good Apiaries, an East Vancouver beekeeper, producing 6 kilograms amount of honey to be used in PNE catering menus. In the second year of the project, the PNE's Chef's Garden produced over 500 pounds of produce that was used for our catering menus and the Market Fresh stand. Recipes and lessons learned were shared on the PNE blog and through PNE social media channels, and showcased in our agricultural programming during the Fair.

Each year, the PNE strives to improve its performance and to achieve sustainability in all areas of its business. From Playland and the Fair to year-round indoor and outdoor events, the PNE remains committed to improving its environmental footprint and to making sustainability investments a top priority. We look forward to sharing more progress in next year's annual report.

The PNE remains committed to the following initiatives that are currently in place.

CORPORATE INITIATIVES

- Marketing collateral continues to be printed on recycled paper certified by the Forest Stewardship Council, and marketing efforts continue to leverage web, mobile and email marketing initiatives to reduce paper use where possible.
- Human Resources utilizes direct deposit and epost for payroll, and most recruiting is done online, rather than on paper.
- Old uniforms are donated to charitable organizations or are reused internally.
- Suppliers are encouraged to provide environmentally preferred green, recycled and energy-efficient products wherever possible.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics, compost and discarded computer parts.
- Staff are encouraged to use reusable office supplies, hold paper-free meetings, print only two-sided pages, turn off computers at night and use low-energy Energy Star lighting in offices.
- The organization continues to maximize the use of natural elements in landscaping and theming throughout the site.



EVENT MANAGEMENT INITIATIVES

- Beer cup recycling programs remain in place for all events.
- Agriculture in the City displays promoted local and sustainable agricultural practices to guests.
- Retail ticketing programs use a recyclable styrene paper product for gift cards, rather than PVC plastic.
- A recycling program for concessionaires and exhibitors is in place during the Fair to encourage waste diversion as well as recycling of bottles, cans, plastics and cardboard. The PNE provides the bags and collection service for all exhibitors.
- The food and beverage department uses environmentally friendly cleaning products and continues to upgrade to low-energy fixtures and energy-efficient appliances.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to and from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair. The Fair also provides guests with a complimentary bike valet service.
- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted.
- Internally, the PNE uses compostable serving containers and cutlery in all food and beverage outlets year-round. During the Fair, the PNE requires all external concessionaires to do the same.
- The use of all Styrofoam products was banned in 2012.

FACILITIES INITIATIVES

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades:

- Waste audits are conducted annually and the PNE team works with our waste haulers to maximize measurability.
- In 2012, a light bulb recycler was purchased. In the first four years, the PNE diverted over 25,000 fluorescent tubes and incandescent light bulbs from the landfill, turning them into recyclable glass and capturing bulb gases. We continue to recycle all bulbs on-site.
- Low-flush toilets and urinals as well as low-water-use faucets and high-efficiency lighting have been installed in all major buildings on-site.
- The Agrodome now has high-efficiency lighting in the main arena and plaza.

- Ice in the Agrodome is made using the REALice cold-water ice-making system.
- Our technical services department remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper
- Lights throughout the site have been replaced with high-efficiency fixtures.
- Leaves, grass clippings and tree trimmings are recycled for composting.
- The technical services team uses electric, propane or natural gas vehicles where possible (zoom booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.), and remains committed to exploring the conversion of other fleet vehicles.

The PNE continues to actively work on improving its environmental footprint. In addition to working with Vancity and a team of external contractors on the next steps, the PNE remains proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand that there is much work yet to be done and we remain committed to making progress on all sustainability fronts.





RIDES IN PLAYLAND



BRIGHT FUTURE AT HASTINGS PARK

MASTER PLAN PROGRESS

By way of background, in December 2010, after five years of public consultation, City Council adopted the Hastings Park/PNE Master Plan to guide the long-range redevelopment of Hastings Park. The Master Plan is a road map for the renewal of Hastings Park and will guide the capital investments needed to align with the overall vision of the site as a multi-purpose destination for economic development, culture and entertainment, and as a public park and gathering space for the local community as well as for residents across the city and the region. The Hastings Park Master Plan is a 20–30-year \$200–\$300 million plan (in 2010 dollars) that brings a bold vision to the future of this space.

The vision of the Master Plan is to transform Hastings Park into a greener year-round destination with space for festivals, culture, sport, recreation, leisure and fun. The Plan provides for new and renewed facilities on-site, with the amount of park space almost tripling, from 27 acres to 76 acres. This revitalized Hastings Park will provide expanded green spaces that link to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Facilities and infrastructure will be redeveloped to allow for a wider range of cost-effective celebrations, festivals, sports, music and family entertainment to blossom on-site, as well as to facilitate the growth and evolution of that beloved end-of-summer tradition, the Fair at the PNE, the largest ticketed event in BC. Playland will remain

at the heart of Hastings Park, with softer landscapes and re-themed spaces to allow Playland to expand and thrive as it continues to thrill families and kids of every age.

When the Master Plan was adopted, City Council also requested a Governance Review of Hastings Park/PNE. After a further three years of study and public consultation, in August 2013, the Council approved a new Governance structure under the authority of a new PNE/Hastings Park Board and outlined the Board's mandate to provide policy direction for the multi-faceted activities at Hastings Park as well as oversight for the implementation of the Council-approved Hastings Park/PNE Master Plan. This decision allows the PNE and the PNE Board of Directors to plan holistically for the future while keeping in mind the long-term interests of the PNE, park space and increased community involvement. An eight-member Community Advisory Group (CAG) was also instituted to ensure open, transparent communication between the PNE and members of local and city-wide communities.

The Master Plan is also an opportunity to significantly improve the sustainability and ecological performance of Hastings Park and the PNE, consistent with Vancouver City Council's Greenest City Action Plan priorities, the Healthy City Strategy and the Urban Forest Strategy. Plans include improved energy efficiency and waste management, locally sourced healthy food options at events, increased pervious ground cover and increased canopy cover throughout the park.

The PNE will continue to work with all parties to help make Hastings Park part of the Greenest City in the World by 2020. The Master Plan achieves the challenging balance of providing a significantly greener and more publicly accessible Hastings Park while renewing Vancouver's historic annual Fair and amusement park and ensuring the PNE's economic vitality and long-term sustainability.

MASTER PLAN PROJECTS COMPLETED TO DATE

To ensure improved community access to Hastings Park, it was important that a number of greening and park access projects were completed early in the implementation of the Master Plan. Since 2010, completed projects have included:

- The redevelopment of Creekway Park as a connection from Hastings Park to New Brighton Park.
- The addition of temporary greenways throughout Hastings Park to facilitate pedestrian and bike traffic and to ensure east/west connectivity throughout the park.
- The implementation of a new signage and identity plan to improve park identity and wayfinding for guests within the park.
- Several facility improvements were also made to ensure structural integrity and seismic readiness, and to remove asbestos from within key historic buildings.
- The redesign of Empire Fields to include new sports fields, new track and courts, with kids spaces as well as Plateau Park for community use.

In total, since 2010, over \$12 million has been spent on park access and green space projects, and \$7 million has been spent on building upgrades. These projects have improved the park landscape and guest access. In the next phases of implementation, investments will be made in projects that contribute to the financial sustainability of the site while continuing to focus on the greening of the site.

Several research projects are currently underway related to site-wide infrastructure, the Amphitheatre and Playland redevelopment. Playland is a valued asset to the City and supports the City's mission "to create a great city of communities that cares about its people, its environment, and the opportunities to live, work, and prosper". As originally contemplated in the 2010 Master Plan, Playland is envisioned to expand from 15 to 22 acres, to significantly increase greening and sustainability, and to transform from an amusement park to a theme park. This expansion is designed to increase revenues as an essential part of the ongoing financial sustainability of the site.

Ongoing information on the Hastings Park/PNE Master Plan can be found at www.vancouver.ca/pnepark.

ANNUAL BUSINESS RESULTS – 2016

Overall, 2016 was another strong year, which again demonstrates the PNE's diversity and elasticity. It is a perfect example of balancing weather and industry trends against a range of activity streams. Although poor weather impacted the Fair in terms of meeting budgeted targets, both Fair attendance and revenues were up from 2015. Playland had a solid season, exceeding over 301,000 guests, despite the fact that the park did not have any new attractions to showcase. Fright Nights had one of its best seasons of the decade, and year-round events flourished despite the Vancouver Giants moving out. This resulted in a positive net contribution of \$613,572 for 2016, a total accumulated surplus of \$1.95 million, and millions of great guest experiences. The following is a more detailed summary of both qualitative and quantitative results across each of the PNE activity streams in 2016.



PLAYLAND

Playland is BC's beloved regional amusement park, with 38 rides and attractions as well as 20 games and 12 food and beverage outlets. It has two key audiences that it attracts. First are youth aged 12–24 looking mainly for the thrill ride experience; this accounts for approximately 75% of Playland's attendance. In recent years, however, Playland has made investments into more family attractions and has built a stronger relationship with families with young children. This group, which accounts for approximately 25% of guests, is a growing proportion of overall attendance each year. In 2016, Playland was open for 91 operating days, from May 7 through September 18, welcoming 301,535 guests (*see Figure 1 for a seven-year attendance history*).

In 2015, Playland saw record attendance after the launch of the new extreme thrill ride The Beast – the most extreme pendulum ride in Canada, swinging and spinning at 90 kilometres per hour and up to a height of 125 feet. The excitement around this ride continued through 2016 as the ride's multi-directional seating, a first in North America, kept guests coming back to try different seat locations on the ride. The Beast is free with admission to Playland and was truly a favourite for thrill ride fans. Sunny weather for the majority of the summer operating days also supported a strong season in Playland, allowing the park to generate total revenues of \$13.72 million, and a net contribution of \$7.35 million (*see Figures 2 and 3 for a seven-year history*). Buoyed by the success of The Beast, this was Playland's second-best year in over a decade, showcasing how investment in new and exciting attractions can deliver strong business results.

Group sales play a significant role in Playland, and the PNE is proud to have built successful programs that so many guests enjoy. Annual Science of Fun and Amusement Park Physics and Science programs brought in 25,891 student guests, and 18,981 students enjoyed year-end school parties in the park. In addition, 3,683 kids came as part of registered birthday parties, and 25,821 guests visited Playland through 75 different corporate VIP events held on-site throughout the season. Across all business streams, over 174,000 guests attended group programs on-site. These programs contributed over \$3.5 million to general revenues

In summary, Playland had another very strong season and the PNE looks forward to many more as we progress with the Playland Redevelopment Plan. This plan will help the PNE meet many objectives and will see Playland morph from a 15-acre amusement park to a 22-acre theme park with a stronger family feel, additional features to enjoy, and significantly more greening and park space. Economic feasibility studies on attractions and demographic trends indicate an opportunity for a larger theme park in the region and support a business case for Playland's expansion. Revitalizing and greening Playland will also support the Greenest City Action Plan through energy efficiency and better waste management, the Healthy City Strategy through locally sourced healthy food options and a focus on being active outdoors, and the Urban Forest Strategy through increased canopy cover and increased pervious ground cover, to name just a few benefits.

For more information on the Hastings Park Master Plan and Playland Redevelopment Plan, please visit www.vancouver.ca/pnepark.

figure 1
PLAYLAND ATTENDANCE

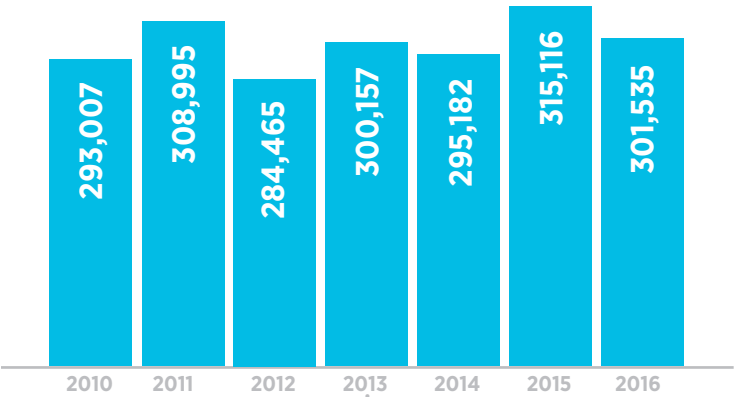


figure 2
PLAYLAND TOTAL REVENUES (in Millions)

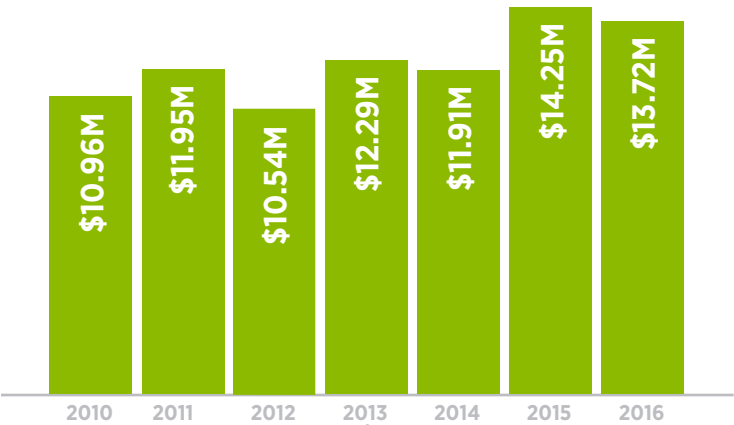
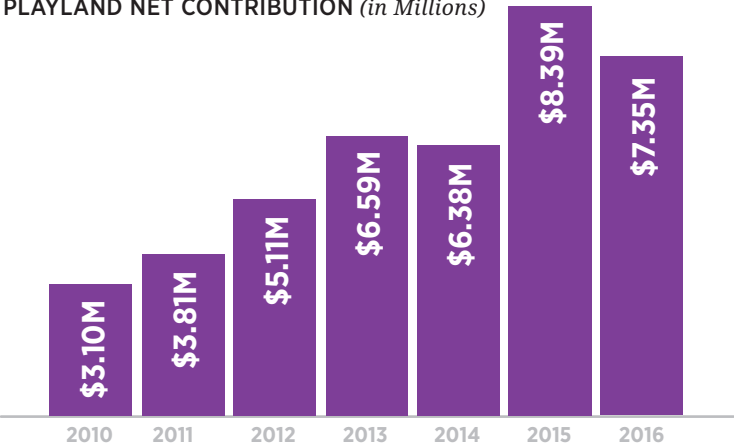


figure 3
PLAYLAND NET CONTRIBUTION (in Millions)





FRIGHT NIGHTS

As the summer sun sets on Playland for the season, the team prepares to transform the park into the eerily haunted world of Fright Nights, which runs for three weeks in October. As Western Canada's scariest haunt, Fright Nights is a unique Halloween-themed event with all the excitement of 15 amusement rides, seven horrifying haunted attractions and roaming cast members to scare guests silly. Now in its 14th year, it truly is Vancouver's signature Halloween event and one of the best-themed and scariest events in Vancouver. There is truly nothing like it! But it's not for the faint of heart... or for kids under 13.

Frights Nights successfully terrorized 75,696 guests in 2016, well ahead of the 10-year average of 72,600 guests (*see Figure 4 for a seven-year history*). Over 18 operating days between October 7 and 31, thousands of brave souls enjoyed seven haunted houses, two shows, 15 rides and hundreds of roaming ghouls. The Monsters of Schlock entertained guests with gruelling stunts and the Radiant Heat Troupe captured guests with their nightly fire shows. Pricing the most popular weekend days at a premium (\$39) and providing cost-conscious guests with lower prices (\$25) on less heavily attended days helped to spread out attendance across the 18 days and helped improve the guest experience on the busiest evenings. Offering front-of-the-line Rapid Passes allowed less cost-conscious guests the opportunity to make the most of their experience by minimizing the time spent in lines. Rapid Passes sold out on most weekend nights.

In 2016, Fright Nights achieved revenues of \$3.09 million (*see Figure 5 for a seven-year history*) and contributed \$1.69 million in net income towards the Playland activity stream (*see Figure 6 for a seven-year history*). Despite a few evenings of rainy weather, this was a great year for Fright Nights, which continues to make for a spooktacularly terrifying experience each fall.

Note: Fright Nights revenues are included in the Playland total; they are broken out separately in this section for comparative purposes only.



figure 4
FRIGHT NIGHTS ATTENDANCE

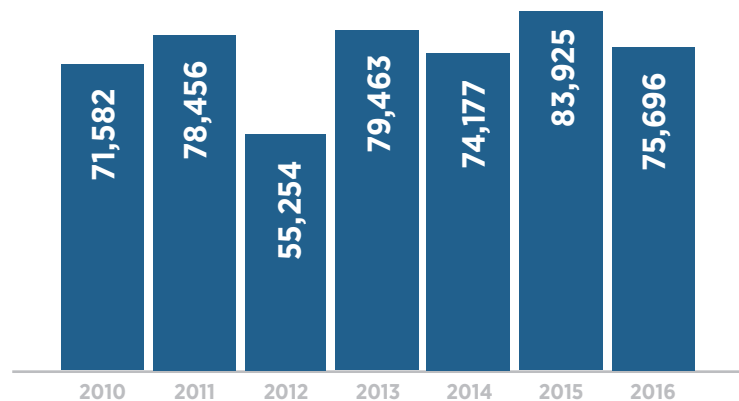


figure 5
FRIGHT NIGHTS TOTAL REVENUES (in Millions)

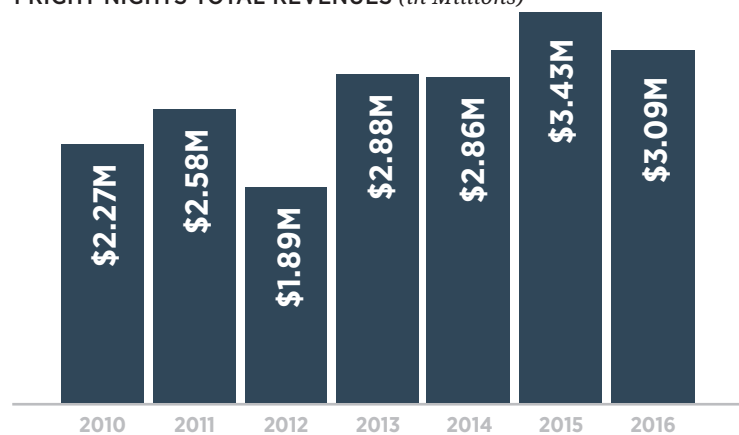
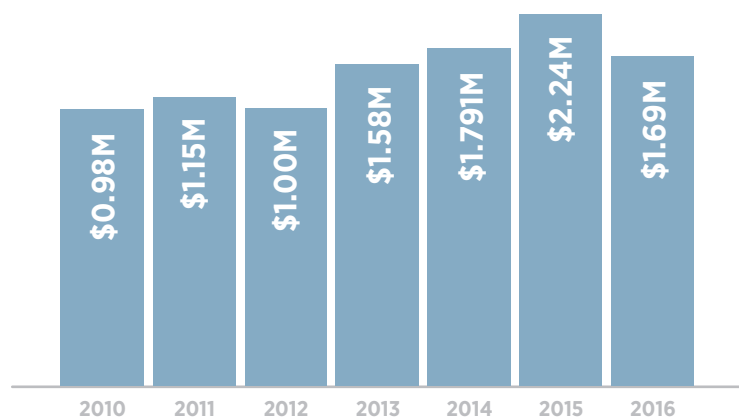


figure 6
FRIGHT NIGHTS NET CONTRIBUTION (in Millions)





THE FAIR AT THE PNE

The Fair at the PNE is the PNE's signature annual event. It is BC's largest ticketed event and an iconic summertime ritual with 106 years of history. The Fair proudly remains a memory-filled end-of-summer tradition for British Columbians of all ages – where else can you get SuperDogs, free concerts, baby goats and mini-donuts, all in one day! The Fair, which is the single largest initiative the organization works on, is responsible for approximately 50% of PNE annual revenues. It is also the event that is the most susceptible to weather impacts because of its outdoor nature and short duration. In comparison, Playland, while also outdoors, has a full season of over 90 days to recover from a few bad weather days. The Fair does not have this luxury and because of the event's scope and magnitude, a single bad weather day can affect the Fair by millions of dollars. In 2016, rain affected attendance and revenues over the key final week of the Fair, but overall the event was still a great success with guests and it met many of the targeted objectives.

The Fair provides a unique combination of entertainment for kids and families, with a wide range of options for all guests – from ages two to 92 – to enjoy. Guests love their traditional favourites, but also want new things to entertain them. That provides a unique challenge, but we understand that there are many options available for summer fun in the Lower Mainland. We are happy to be able to continue to provide traditional favourites along with new shows each year, continuing to inspire 750,000–800,000 guests to come celebrate with us each year. We will keep working to make the Fair a must-see summer event that

guests will feel they'll miss out if they don't attend every summer. We understand that each year's entertainment offering needs to be compelling and not cost prohibitive.

DAYS AND WAYS TO SAVE

With a focus on continuing to provide cost-effective ways to attend the Fair, 2016 was the fourth year of the PNE coupon book, which contained hundreds of dollars in savings at a wide variety of concessionaires and exhibitors on-site. Promotional days included Heroes Weekend on the first two days of the Fair, which granted free admission to all first responders and a guest. Taking advantage of the summer's Pokémon Go trend, the PNE planted hundreds of game lures on site and invited anyone with the app on their phone to come down to the site on opening day and play Pokémon Go. Over 6000 guests availed of this promotion. Wild Ride Wednesday ride promotions were held August 24 and 31, which allowed guests to purchase two-for-one all-day ride passes on-site before 1 pm on those days. Thursday, August 25 was Seniors Day, with guests 65 years of age and older receiving free gate admission all day. Vancity Member Day was held on Thursday, September 1, with \$5 admission for all Vancity members and credit card holders plus one guest. Free Admission Days were expanded to both Tuesdays, August 23 and 30, where everyone received free gate admission between 11 am and 1 pm. As always, kids 13 and under receive free admission, any day, any time. The Twilight Ride pass and

After Dark promotions also provided value for guests who were coming to the Fair late or purchasing an all-day ride pass later in the day.

The PNE continued its advance sale ticket program, allowing guests to buy discounted passes at Safeway, Save-On-Foods, PriceSmart Foods and 7-Eleven. As well, the group sales program provides discounted gate admission and ride passes to larger groups, and guests can always get discounted tickets to the Fair by purchasing online at pne.ca.

THE ENTERTAINMENT MIX

In keeping with the strategy of changing out marquee exhibits and shows each year to keep Fair entertainment fresh, two new exhibits delighted guests. The *Angry Birds Universe* interactive exhibit, which made its North American debut at the Fair, was enjoyed by over 40,000 guests, and *Alien Worlds and Androids* entertained over 66,000 visitors and science fiction buffs. The return of giant animatronic dinosaurs to Miller Drive delighted kids of all ages – and scared a few, too.

One of the biggest changes to the entertainment lineup in 2016 was the re-envisioning of centre grounds, which debuted as the newly themed area of Festival Park. Festival Park was designed for the Canada 150 celebrations as well as a place for whimsical entertainers, band performances, parades, community shows, cultural performers and catchy dance shows throughout the day. In addition, two large digital screens and daily short film programming added atmosphere.

A brand-new marquee feature show was also introduced in the Coliseum. *Unbelievable: A Magical Experience* featured five internationally renowned illusionists and magicians performing a world-class showcase of trickery and illusion. The show was a huge hit, drawing crowds of 5,000 to 8,000 guests each night. Superfans could reserve floor seats at a nominal fee of \$25, which included a backstage VIP experience, but over 10,000 seats at every show were made available to families at no cost. Guest feedback about the show was incredibly positive.

Each year, we continue to see the benefits of an increased investment into the Summer Night Concert series. In 2016, the bar was raised again and the Fair was proud to present a phenomenal lineup of artists that included the Steve Miller Band, Olivia Newton-John, Culture Club, Foreigner, Pat Benatar, The Monkees, Chris Isaak and Simple Plan. The PNE also partnered with Rogers Media to present WHAM BAM, a one-day music festival on the Fair's opening day that featured headliners Hedley and Jason Derulo. With such great bands, demand for reserved seating continues to increase, with several shows selling



ANGRY BIRDS EXHIBIT



LET'S PRETEND WITH KC BEAR

out of available reserved seats. However, the PNE continues to keep at least 4,000 seats available to guests for free at each concert.

ToonCity, a family-friendly interactive play zone for kids, again offered murals to paint, a reading corner, character meet-and-greets and access to several playhouses. Two live shows for kids – *Mermaid Tales* and *Let's Pretend with KC Bear* – provided fun programming in this area, which has become a great quiet zone for families to get out of the crowd for a while and rejuvenate.

As part of the PNE's participatory programming, the second annual Donut Dash was held on-site on Sunday, August 21. Approximately 1,000 runners were entertained along the 5-kilometre route by dancers and show characters while being treated to mini-donuts and cotton candy. Guest favourites such as *SuperDogs*, the baby animals of Farm Country, *Duelling Pianos*, RibFest and the Marketplace acted as anchors for those who prefer tradition.

AGRICULTURE AT THE FAIR

Agriculture programming at the Fair is part of the fabric of the Fair and a traditional favourite with kids and families. There are several aspects to the agriculture program, including the 4-H Festival that runs the first three days of the Fair, the Farm Country displays that encompass baby animal displays, urban agriculture exhibits, milking and blacksmith demonstrations, markets of local products, the PNE's Chef's Garden and the Kidz Discovery Farm, as well as the *Pacific Spirit Horse Show* in the Agrodome, which encompasses mini-chuckwagon races, horse jumping competitions and the Horse Council of BC Horse Day celebrations.

In 2016, the 4-H Festival welcomed over 365 kids from 37 clubs and 12 districts across the province as part of the annual celebration of 4-H in BC. Over 1,600 entries were judged, and over \$15,000 in prizes and money was awarded. The livestock auction at the end of the 4-H Festival raised \$320,000 for participants. In the *Pacific Spirit Horse Show*, \$21,000 in prize money was awarded, with 310 entries being judged. During the 15-day Fair, over 950 animals went through the barns, and 25,000 kids went through the Kidz Discovery Farm exhibit to learn farm-to-fork basics. The 2016 Fair also saw the PNE partner with the Horse Council of BC to host the third annual Horse Day at the Fair and was joined by BC Dairy to present a brand new, industry represented activation around milking and dairy production. Lastly, each year the PNE hosts a charity auction in support of the BC Youth in Agriculture Foundation. This year, over \$34,500 was raised to support bursaries and scholarships for youth pursuing sustainable farming practices.

THE FAIR BY THE NUMBERS

Great weather graced the first week of the Fair, where attendance consistently exceeded budgeted targets. By the second week, the skies turned greyer and weather began to impact attendance. While attendance was notably up over 2015, the Fair did see rain on five key days during the final week of the Fair, when the majority of guests traditionally attend. In the end, the Fair entertained 712,367 guests, a 5% increase over 2015's attendance of 678,193 (see Figure 7 for a seven-year Fair attendance history).

When attendance is up, so are revenues, and although attendance and revenues did not achieve budgeted targets for 2016, revenues were up over 2015 by almost \$2 million, which is very positive. Total Fair revenues for 2016 were \$23.73 million. Net contribution was \$6.0 million, again up by \$1.23 million over 2015 (see Figures 8 and 9 for a seven-year Fair financial summary). Although the Fair remains a healthy and profitable activity stream, in any year where targets are not met, it is ever more important to have the diversity of business where excellent achievements in other areas help to offset these shortfalls.



figure 7
FAIR ATTENDANCE

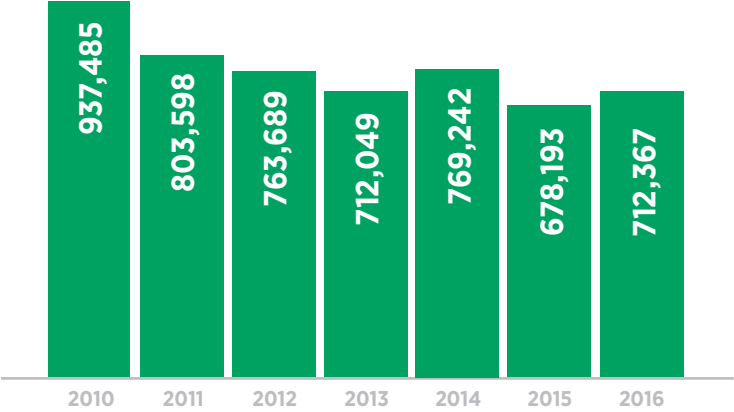


figure 8
FAIR TOTAL REVENUES (in Millions)

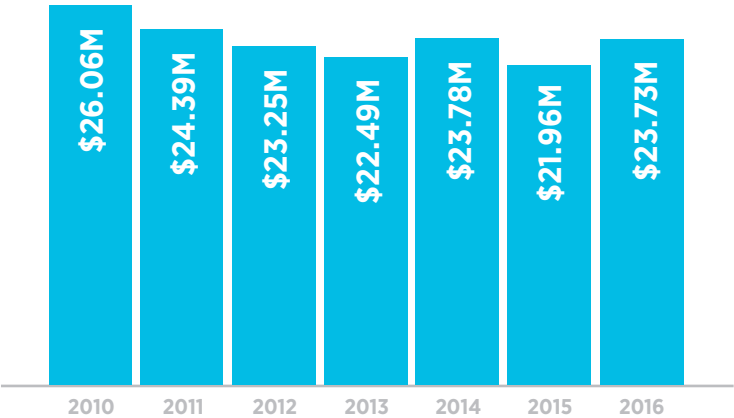
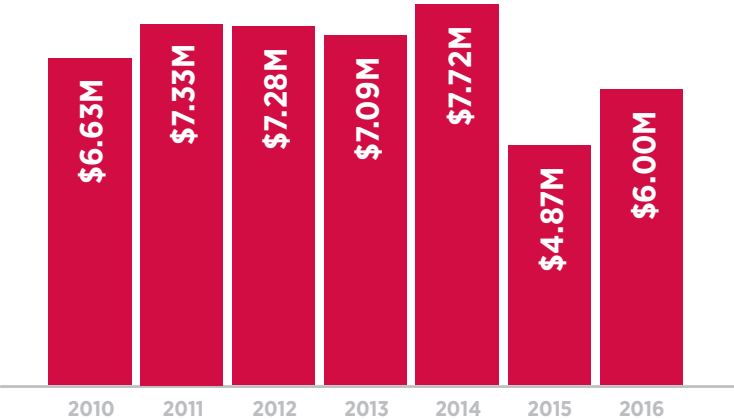


figure 9
FAIR NET CONTRIBUTION (in Millions)





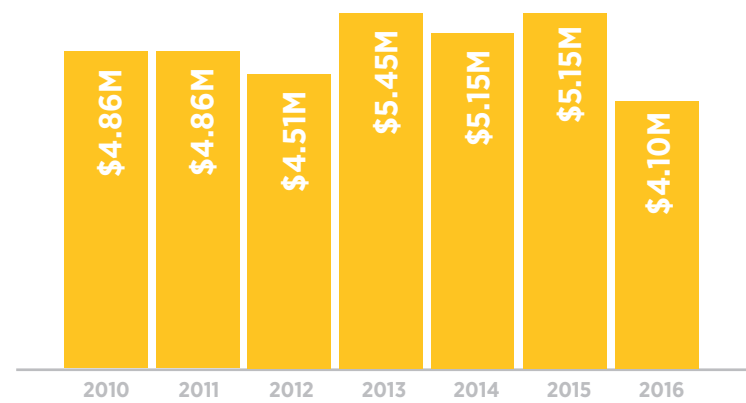
THE PNE PRIZE HOME – WIN A HOUSE! WIN A CAR!

In its 82nd year, BC’s original and most affordable home lottery program ran from May 1 to September 5, 2016. Freeport Industries designed and built this year’s 3,200-square-foot West Coast contemporary home. It will be situated on a beautiful lakeview lot in the Okanagan’s Naramata Benchlands right in the heart of BC’s wine country. Total 2016 lottery prizing was valued at \$1.91 million, included the Grand Prize package with home, the lakeview lot in the Stonebrook Benchlands, luxury furnishings from Lane Home Furnishings, chef-inspired appliances from Coast Wholesale Appliances and the outdoor living package from Coast Spas Lifestyles. In addition, prizing included his-and-hers Harley-Davidson motorcycles from Trev Deeley, an Audi TTS Coupe, 10 additional vehicles (or their cash alternatives) from Open Road Auto Group, five luxury sun escapes and three early-bird European trips from Transat Holidays. During the 2016 Fair,

over 110,000 guests toured the prize home, all dreaming of making it their own. The lucky winner of the 2016 Grand Prize Home Package was Dave Maw of Kamloops, and the 50/50 draw winner was awarded a cash prize of more than \$483,000.

In total, 1,109,140 prize home tickets were sold and entered into the 2016 draw, and the lottery program generated \$4.1 million in revenue (see Figure 10 for a seven-year history). Each year, revenues from the lottery program support a variety of PNE community programs, along with the Fair’s rich history of agricultural programming and many other non-revenue-producing multicultural and family programs throughout the year.

figure 10
PRIZE HOME LOTTERY TOTAL REVENUES





THE 2016 PNE PRIZE HOME



YEAR-ROUND EVENTS

The PNE's year-round event portfolio encompasses a diverse array of activities, including concerts, sporting events, cultural and family shows, film shoots, trade and consumer shows, and community events. This diverse array of events are responsible for approximately 25% of the PNE's annual revenues, and the facility sales team utilizes the full range of indoor and outdoor spaces and venues on-site to bring these activities, events and celebrations to fruition at Hastings Park. And it is the varied range of this portfolio that helps the organization to withstand weather effects that may affect one activity stream in the short term. This was again exemplified in 2016 where poor weather during the last critical week of the Fair meant that the Fair missed targeted revenues, but year-round events were ahead of budget. Overall, the organization remains in financial balance.

This year was another very strong year for year-round events, despite the Vancouver Giants making the decision to leave the Coliseum and move out to the Langley Events Centre. The PNE proactively budgeted for this change in sports activity and, in the end, exceeded the 2016 events revenue target by achieving \$8.8 million (excluding Playland, Fright Nights and the Fair), with a net contribution of \$2.52 million (*see Figures 11 and 12 for a seven-year history*). Depending on the event mix in any given year, net income can shift significantly. But whatever that mix, the PNE team remains very proud to bring a wide array of on-site celebrations that are as diverse as the communities that surround us.

THE MUSIC INDUSTRY AND CONCERTS

What the musical history of the PNE does best is to tell a fantastic story: a story of iconic artists, amazing shows and shifting genres over decades. The history of the PNE is rich with amazing moments and many of BC's greatest musical memories, both recent and historical, have taken place in PNE venues. From Stevie Wonder performing as a teenager in the Garden Auditorium, to Elvis and the Beatles taking the stage at Empire Stadium, to major rock concerts in the 80s, music and concerts have always been at the heart of the PNE year-round event mix. Some of Vancouver's biggest and most diverse shows have come through the PNE's venues, and music still plays a central role in the PNE's business. But it's not just about what happened in days past. The PNE continues to play a pivotal role in the local music scene, with its venues at the forefront of this decade's evolution of electronic dance music (EDM) and the resurgence of hip hop, providing venues of all sizes for artists to grow their careers. From a show in the Forum to a show at the outdoor Amphitheatre to a show in the iconic Pacific Coliseum, the PNE provides flexible venues for artist growth as well as for the celebration of diverse genres.

Throughout 2016, the PNE hosted 14 concerts, up three from 2015: seven in the Pacific Coliseum, five in the Forum and two at the PNE Amphitheatre. Over 66,000 guests attended these concerts during the year, with total concert attendance up 8% from 2015. PNE continues to maintain a strong presence in the EDM scene. Since the rise of EDM,

the PNE has been at the heart of this market. These interactive dance parties require a very different type of venue set-up and event management. The PNE, which offers a variety of flexible venues to host these shows in a safe, well-managed environment, is very proud to have played a role in helping this genre flourish. The PNE hosts the city’s most popular EDM events. In 2016, this included the Blueprint 19 Year Anniversary #BP19YR party, Dooms Night, Insomnia, Life in Color, Flume and the Seasons Festival. These concerts showcased global EDM DJ talent including Martin Garrix, Alesso, Hardwell and Armin Van Burin. Crowds ranged from 3,300 to 6,500 people, and most shows were sold out. The PNE is also pleased to continue hosting more mainstream artists such as Pentatonix, Death From Above, and Marianas Trench, as well as hip hop artists such as G-Eazy, ScHoolboy Q, Run the Jewels, and Rae Sremmurd. The PNE maintains close links to the music industry and remains focused on building promoter relationships, working closely to meet the needs of partners, and showcasing newer genres and artists.

In addition to these exciting year-round events, the PNE Amphitheatre hosted 15 great concerts during the Fair at the PNE, where capacity crowds enjoyed shows from acts such as the Steve Miller Band, Olivia Newton-John, Culture Club, Foreigner, Pat Benatar, A Tribe Called Red, Dru Hill and Sisqó, Chris Isaak, Tim Hicks, The Monkees, Alan Doyle of Great Big Sea, The Sheepdogs, Simple Plan, and Monster Truck. The PNE partnered with Rogers Media on the opening day of the Fair to host WHAM BAM, a one-day music festival with headliners Hedley and Jason Derulo.

An important ongoing impact on concert activity is currency valuations. Fluctuations in the Canadian dollar significantly impact the Canadian music scene and as the Canadian dollar drops in value, risk increases and fewer acts tour Canada.

figure 11
FACILITY SALES TOTAL REVENUES

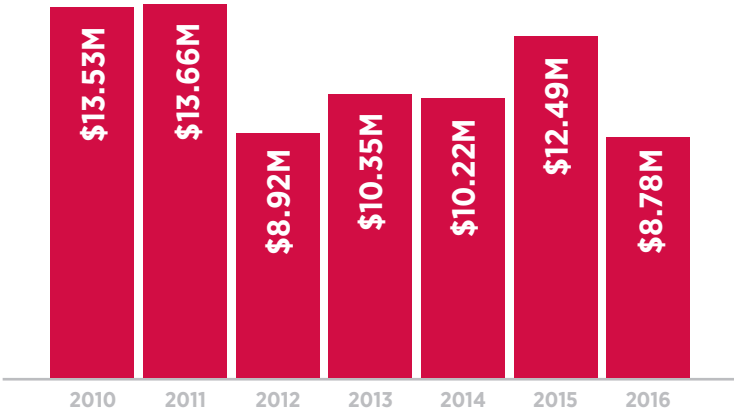
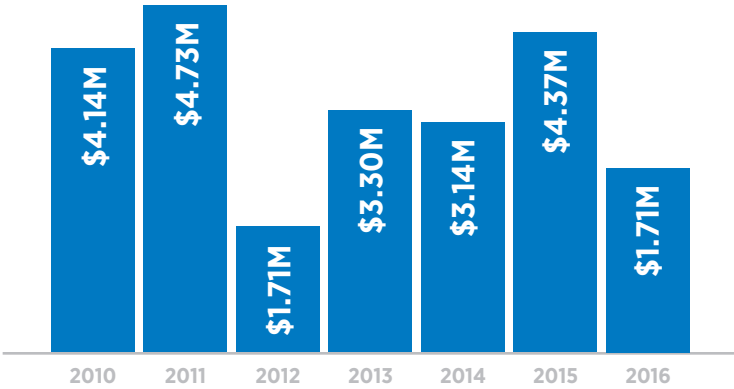


figure 12
FACILITY SALES NET CONTRIBUTION



FAMILY EVENTS

The PNE has solidly entrenched its place as the hub for family shows in the Lower Mainland. Many of the largest and most successful family shows in BC are now hosted here at the PNE and, with the additional dates available as a result of the Giants moving out, our team expects this shift to continue, with runs of shows expanding.

In November, Disney's *Worlds of Enchantment* welcomed and wowed over 42,500 guests at nine shows over five days in the Pacific Coliseum.

As another highlight, more than 42,500 guests welcomed the Cirque du Soleil tour of *Toruk* to the Pacific Coliseum for nine performances over six days in December. The debut of *Toruk* in Vancouver was phenomenally successful, resulting in a 66% increase in attendance over Cirque's 2015 show *Varekai*. The Pacific Coliseum stop was one of the highest attended on the tour and the PNE is proud to host Cirque. Tremendous feats of flexibility, strength and grace wowed audiences of 4,000–6,000 at each show.

In February, the Harlem Globetrotters entertained over 4,200 guests with their antics and their amazing basketball skills, creating a laughter-filled evening for many generations. Attendance at these two shows was slightly down in 2016, but it remains a fan favourite with decades of history at the PNE. In May, CircusWest launched their public show "*Dream Factory Circus*" and performed eight shows over four days, from May 12 to 15.

A number of family-oriented consumer shows also called the PNE home in 2016. November saw the Train Expo take over the Forum, to the delight of over 4,600 guests. The Christmas "Make-It" craft fair drew 13,300 guests and another 9,200 guests at their spring show. Several other shows (Winter Wonderland and Hello Kitty Festival) took a hiatus, but we expect the mix to adapt to emerging trends and lifestyles in any given year and for the site to see a different mix of shows.

FUN RUNS AND SPORT ACTIVITY

Each year, the site plays host to a number of fun runs. In August, over 11,000 runners took part in the Night Nation Run on-site, which culminated in a party at the PNE Amphitheatre. And on August 21st, the first Sunday of the Fair, over 1,000 runners took part in the 2nd annual Donut Dash, a 5K fun run where participants received Fair treats during the run and then all participants got into the Fair for free for the rest of the day. On September 24, another 4,500 guests partook in the Color Run, also known as the Happiest 5K on the Planet. This event is a unique paint race that celebrates healthiness, happiness and individuality.

Another highlight during 2016 was the Van Doren Skateboard Invitational held July 8–9, which hosted over 1,500 skateboard enthusiasts at the iconic Hastings Skate Park. This event is one of several stops in the global series leading up to the world championships in Malmo, Sweden. It is the biggest skateboard event in Vancouver, featuring world-class competitors and \$75,000 in cash prizes. Seventeen-year-old Brazilian, Ivan Federico, skated like a local to win the Vans Park Series and advance to the global final.

At the community sport level, the PNE hosted 16 different community groups who used over 1,800 hours of community ice in the Agrodome. These groups included Vancouver Minor Hockey, figure skating clubs, and a number of adult hockey and skating groups. The community ice season runs September through March.

CULTURAL EVENTS

The PNE is also home to a wide variety of cultural celebrations. Highlights from 2016 include:

- The annual Nisga'a Ts'amiks Hobiye Festival, which was enjoyed by over 4,000 guests, was held over two days in February for the sixth consecutive year at the PNE Forum.
- On September 25, the Pacific Coliseum welcomed Sonu Nigam and Atif Aslam, and more than 4,000 guests from Vancouver's South Asian community.
- Each spring, the PNE welcomes guests on a walking tour hosted by Nikkei National Museum & Cultural Centre to learn about significant Japanese heritage sites resulting from the 1942 detainment of Japanese Canadians at Hastings Park



TORUK - CIRQUE DU SOLEIL



VANCOUVER CRAFT BEER WEEK



Eagles of Death Metal



Sonu Nigam



Run the Jewels



Dooms Night



Insomnia



THE COLOR RUN

TRADE AND CONSUMER SHOWS

Trade and Consumer shows have been an area of growth at the PNE in recent years. In 2016, the PNE hosted 20 shows: 15 consumer-based shows, and five trade-only shows. Trade shows include the Lordco Tradeshow with over 5,000 participants, two Vancouver Gift Expos catering to 4,800 industry professionals, the Gordon Food Services Food Show with 1,900 invited guests, and the Honda/Acura Dealers meetings.

In terms of consumer shows, the PNE is focused on bringing a wide range of health and lifestyle events to the site to stay reflective of trends that are seen in the surrounding communities and that are relevant to guests. This year's shows took place in a range of venues, both indoor and outdoor. Over 78,000 guests enjoyed shows such as the Body, Soul and Spirit Expo, Make it! Spring Craft show, Maker Faire and Mini Maker Faire, Vancouver 55+ Lifestyle Show, the Bacon Appreciation Convention, Knit City, Winter Extreme Ski & Board Swap, Vancouver Train Expo, Make It! The Handmade Revolution craft show, Vancouver Golf & Travel Show, Vancouver Gem & Mineral Show, 38th Annual Vancouver Motorcycle Christmas Toy Run, Hop Scotch (a celebration of scotch and spirits), and Vancouver Craft Beer Week (showcasing over 60 local craft breweries). Events such as these help to keep the site lively and active throughout the year.

COMMUNITY EVENTS

The PNE was proud to host the third year of the Hastings Park farmers' market in association with the Vancouver Farmers Markets society. Over a 26-week period from November to May, over 25,000 guests and shoppers flocked to the park to enjoy the offerings of 40–60 local food producers. The market provides an opportunity for the local community to gather, socialize and shop while supporting local businesses, farmers and artisans. The PNE subsidized all operational costs in order to bring these markets to Hastings Park and keep the rates for vendors in line with Vancouver Park Board rates.

The PNE is also proud to host and provide support to the annual LightWaterDrums Festival. This annual winter lantern festival, which is hosted by the Hastings North Community Partners Group, celebrates the dark and wet of Vancouver winters and the joy of Hastings Park's restored natural beauty. In 2016, this event was held on Saturday, January 17.

A community Learn to Fish program in the Sanctuary continued in its fourth year in 2016. The program calls for the Sanctuary to be



Lordco Tradeshow



LightWaterDrums Festival

stocked with rainbow trout during the spring and fall seasons by the Freshwater Fisheries Society of BC. The Learn to Fish program provides an opportunity for local adults and youth to learn about fishing.

The fifth annual Community Day for HCLL was hosted at Playland in late May, and over \$14,000 was raised in support of field upgrades required for the August 2016 National Championships. The PNE's fundraising contributions of over \$100,000 over the past five years helped the HCLL to proudly and successfully host the 2016 National Championships. The PNE also continues to provide free indoor practice space and free Playland tickets to all 425 Little League members each year.

The PNE is also proud to host the WorkSafeBC Day of Mourning in April each year to support our community as they remember men and women from across the province who have been injured or killed while performing their jobs.

FILM ACTIVITY

On-site film activity can vary dramatically from year to year and is dependent on the health of the BC film industry as well as on US exchange rates. As the US dollar soared in 2015 against the Canadian dollar, the Lower Mainland experienced a surge in film activity. This also helped to offset the slowdown in concert activity that resulted from the same exchange rate change.

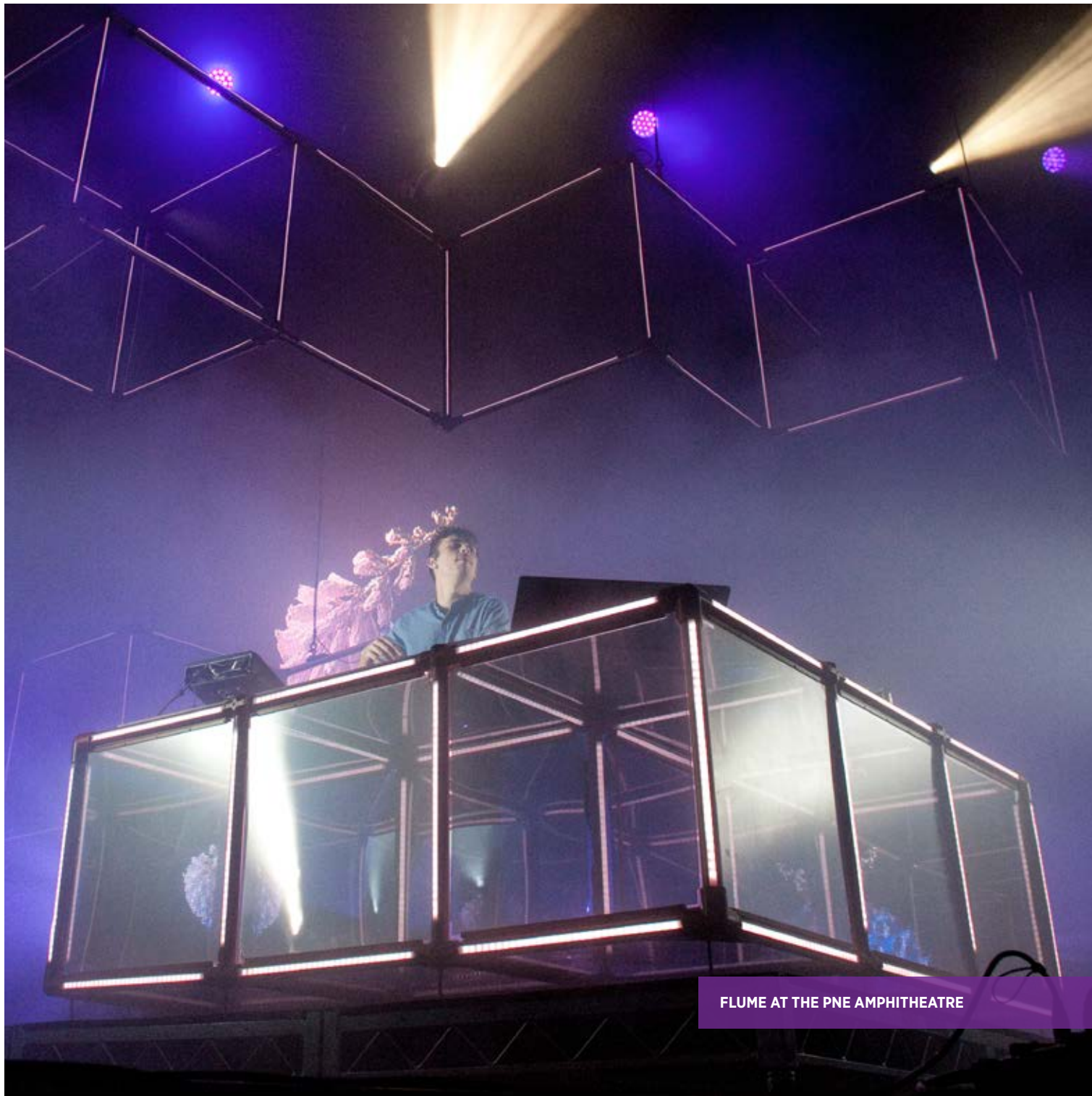
Throughout 2016, a total of 80 different film companies/projects used the PNE site and venues for film, for a total of 437 days of filming. Venues used by the film industry throughout the year included the

Pacific Coliseum, the Forum, the Agrodome, the Livestock building, Rollerland, the PNE Amphitheatre and several areas of the outdoor grounds. The PNE continues to be seen as a flexible site to choose when projects are being shot in the Lower Mainland, and the PNE sales team maintains strong relationships in the film industry to ensure that the organization is well positioned to capitalize on increased market activity when market shifts occur.

TICKETLEADER

TicketLeader is the PNE's exclusive in-house ticketing system, used to ticket events in all venues, including the Pacific Coliseum, Forum and PNE Amphitheatre. TicketLeader can seamlessly ticket reserved seating shows and general admission shows, and has custom programming abilities that other systems just cannot match. TicketLeader is fully mobile-enabled, but users can still deal with local ticket agents through the Coliseum Box Office or local call centre. This system is now also the ticketing system of choice for several high-profile off-site events, including the *Honda Celebration of Light* fireworks competition and the Stanley Park Halloween Ghost Train and Bright Nights Christmas Train. By internalizing ticketing, the PNE can work with event promoters to right-size ticketing fees while increasing the PNE's event-based direct marketing impact. This also has a positive impact on overall revenues for the PNE. It is anticipated that TicketLeader will continue to be a revenue growth opportunity for the PNE in the years to come, especially as year-round events on-site continue to grow and successes off-site generate new leads.





FLUME AT THE PNE AMPHITHEATRE



ITALIAN GARDENS



PARK AND FACILITY MAINTENANCE

We have discussed the first three of the PNE's four activity streams, Playland, the Fair and year-round events. The PNE's fourth activity stream is park and facility maintenance. Since the organization's inception in 1910, the PNE has been the steward of more than 100 acres of Hastings Park. (Empire Fields is maintained by the Vancouver Park Board and the racetrack is maintained by Great Canadian Gaming Corporation who hold a separate operating agreement with the City of Vancouver.)

The PNE and its staff are responsible for the care and upkeep of the majority of the landscaped grounds, trees, benches, playground equipment and specialized gardens (the Momiji Garden, the Italian Gardens and the Sanctuary), as well as all of the buildings. A team of full-time gardeners is employed year-round to care for and maintain all outdoor and park spaces. Careful pruning in the Sanctuary is done throughout the year while keeping it in its naturally intended state. The Italian and Momiji gardens are cared for by specially trained horticultural teams in consultation with the City of Vancouver, the Vancouver Park Board and the Vancouver Japanese Gardeners Association.

Although this activity stream does not generate revenue, \$6.1 million was spent on the care and maintenance of facilities and park space in 2016. Annual expenditures are regularly budgeted operational expenses that are possible because of the revenue generated by the PNE's three other activity streams.

EACH YEAR, APPROXIMATELY \$6 MILLION OF THE PNE'S ANNUAL OPERATING BUDGET IS BUDGETED FOR FACILITY AND PARK CARE. THE PNE'S TRAINED TEAM OF STAFF ARE PROUD TO BE THE STEWARDS OF THE HASTINGS PARK SITE

Park care efforts in 2016 included ongoing annual care of the Sanctuary, Momiji Garden, Italian Gardens and centre grounds. The Chef's Garden was expanded to include six beehives and seasonal plantings throughout the grounds, enhancing the outdoor spaces for all guests to enjoy. Greenery donated by local nurseries to decorate the site during the Fair was replanted and used wherever possible to enhance green spaces across the site.





CELEBRATING TEAM AND SUCCESS

We recognize that it is our people who make this organization great, who make all the amazing and diverse events happen, and who care for and maintain this park and its facilities. Thousands of people continue to work tirelessly each year behind the scenes to build this iconic organization, and their stories are as rich as the history of this great institution. Thank you to everyone who contributes each year to make events and celebrations successful and who keeps this site a dynamic social gathering place for our diverse community.

THE PNE TEAM

One of the things the PNE has always been very proud of is the dedication and longevity of its team. Currently, 126 employees have more than 25 years of service and 19 employees have more than 40 years of service. This is quite an accomplishment, and it speaks volumes about the passion and commitment of these hard-working team members.

THE PNE IS PROUD TO BE BC'S LARGEST EMPLOYER OF YOUTH, PROVIDING CRUCIAL FIRST JOBS AND THE SKILLS REQUIRED BY THE NEXT GENERATION OF COMMUNITY AND BUSINESS LEADERS.

Activities and events on-site in 2016 contributed 471 full-time equivalent jobs to the local economy. The PNE employs 3,865 people each year in a variety of roles and 3,440 of those jobs (89%) are in the Vancouver CMA. The PNE team is made up of 1,402 Fair-time employees, 2,298 part-time employees and seasonal staff (including Playland), 99 full-time employees, and a team of approximately 66 full-time management employees. The PNE is proud to be BC's largest employer of youth, providing first jobs and the skills required by the next generation of community and business leaders.

STAFF PROGRAMS

The PNE recognizes that its people make all the difference. Recognizing and retaining staff are key imperatives. 2016 programs included the Spotlight program, which is designed to recognize employees who contribute to the company's overall success and who promote productivity and creativity. The program allows managers to provide personal, informal and year-round on-the-spot recognition to deserving individuals or teams – both in bargaining units and in excluded teams.

We also continued a program for seasonal and Fair-time team members called Impress Our Guests. This program – based on the PNE's mission and values – allows managers to recognize employees both on the front line and behind the scenes who enhance the guest experience. Winners are drawn weekly during the Playland season and daily



during the Fair. Recognized staff are awarded with an array of \$50 gift card options.

ALL NON-MANAGEMENT STAFF ARE UNIONIZED IN ONE OF FOUR UNIONS: CANADIAN UNION OF PUBLIC EMPLOYEES (CUPE) LOCAL 1004, OPERATING ENGINEERS LOCAL 882, ELECTRICAL WORKERS IUOE LOCAL 213, AND INTERNATIONAL ALLIANCE OF THEATRICAL AND STAGE EMPLOYEES (IATSE) LOCAL 118.

The PNE has also remained committed to providing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a company-funded health and wellness committee. Program types vary from year to year depending on staff feedback, but include year-round access to an on-site fitness centre and organized hikes and snowshoeing trips. Many programs are made available at no cost or at a reduced rate for employees

THE PNE'S FUTURE IS BRIGHT

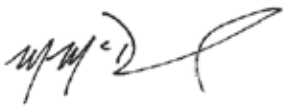
It has been an exciting few years watching the initial Master Plan projects come to fruition. Work continues on the Playland Redevelopment Plan, on infrastructure research and planning, and on the final stage of identity and directional signage plans for Hastings Park. The PNE remains committed to the redevelopment of Hastings Park as defined in the 2010 Master Plan, to work with the local community to minimize impacts and increase communication, and to continue providing meaningful opportunities to gather, be entertained and celebrate throughout the year. We are proud to remain at the heart of Hastings Park, honouring its history and helping to build its future. As an industry-leading celebration site and socio-economic driver within the local community, we invite you to visit and enjoy this unique urban park and be part of its transformation in the years to come



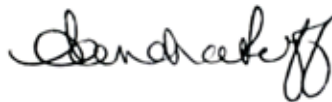
REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Pacific National Exhibition Incorporation Act of 1973, later amended by the 2003 PNE Enabling and Validating Act, requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. As in all cases, the statements include amounts based on management's estimates and judgments. We believe that these statements fairly represent the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2016 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Public Sector Accounting Board (PSAB) Standards to the extent necessary to form an independent opinion on the financial statements prepared by management..



Michael McDaniel
President and Chief Executive Officer



Sandra Ruff
Vice President, Finance and Corporate Services

2016 BOARD OF DIRECTORS

- Chair: Mr. Raymond Louie – Councillor, City of Vancouver
- Vice Chair: Mr. Malcolm Bromley – General Manager, Vancouver Park Board
- Treasurer: Ms. Patrice Impey – General Manager, Financial Services, City of Vancouver
- Directors: Mr. Sadhu Johnston – City Manager, City of Vancouver (on PNE Board to Sept 2016)
- Ms. Kathleen – General Manager, Community Services, City of Vancouver (on PNE Board to July 2016)
- Mr. Jerry Dobrovolny – Chief Engineer and General Manager of Engineering Services, City of Vancouver (on PNE Board Nov 2016 to present)
- Ms. Kaye Krishna – General Manager of Development, Buildings, and Licensing, City of Vancouver (on PNE Board Nov 2016 to present)
- Ms. Jackie Hogue – Director of Human Resources, Gordon Food Services
- Mr. Richard Saunders – Workers’ Advocate, Labourers’ Membership Services, Construction and Specialized Workers’ Union Local 1611, Workers Compensation Board (WCB)
- Mr. Ty Speers – President and CEO, Vancouver Tourism
- Mr. Paul Sihota – City of Vancouver Fire and Rescue

EXECUTIVE MANAGEMENT COMMITTEE

- | | |
|---|---|
| President and Chief Executive Officer: | Mr. Michael McDaniel |
| Vice President, Operations: | Mr. Jeff Strickland |
| Vice President, Marketing: | Ms. Shelley Frost |
| Vice President, Finance and Corporate Services: | Mr. Roger Gil to Sept 24, 2016 |
| Vice President, Finance and Corporate Services: | Ms. Sandra Ruff Nov 21, 2016 to present |
| Vice President, Sales: | Mr. Peter Male |
| Vice President, Human Resources: | Ms. Stacy Shields |
| Executive Assistant and Corporate Secretary: | Ms. Salome Valente |

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit organization owned by the City of Vancouver. The company’s business affairs are the responsibility of the Board of Directors, a City Council-appointed body. The PNE’s Board of Directors is committed to ensuring that corporate governance practices are open and effective, and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2016 AUDITOR

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F : 604-527-3636
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FINANCIAL REPORTS



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4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pacific National Exhibition

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2017, its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
July 6, 2017
Burnaby, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

STATEMENT OF FINANCIAL POSITION

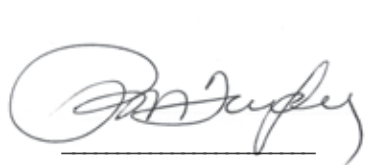
YEAR ENDED MARCH 31, 2017

March 31, 2017, with comparative information for 2016

		2017	2016
FINANCIAL ASSETS			
Cash		\$ -	\$ 1,100,300
Accounts receivable	(Note 2)	659,117	836,625
		\$ 659,117	\$ 1,936,925
LIABILITIES			
Bank indebtedness		848,312	-
Bank loan	(Note 3)	14,964,669	17,380,894
Accounts payable and accrued liabilities	(Notes 2 and 4)	4,056,795	4,785,992
Deferred revenue		1,241,700	708,964
		21,111,476	22,875,850
Net debt		(20,452,359)	(20,938,925)
NON-FINANCIAL ASSETS			
Tangible capital assets	(Note 6)	19,139,358	17,692,100
Inventories held for use		1,032,017	836,592
Prepaid expenses		2,226,605	3,742,284
		22,397,980	22,270,976
Commitments and contingent liabilities (note 8)			
Accumulated surplus		\$ 1,945,621	\$ 1,332,051

See accompanying notes to financial statements.

Approved on behalf of the Board:



Patrice Impey, Director



Raymond Louie, Director

STATEMENTS OF OPERATIONS

YEAR ENDED MARCH 31, 2017

Year ended March 31, 2017, with comparative information for 2016

	Budget	2017	2016
	(Note 1(i))		
REVENUE:			
Events	\$ 47,007,002	\$ 46,364,081	\$ 48,838,377
EXPENSES (NOTE 9):			
Advertising	2,273,500	2,230,792	2,218,890
Agriculture	726,903	684,536	706,350
Entertainment	3,539,275	3,448,927	4,291,249
Exhibit space	1,780,964	1,889,077	1,475,747
Food and beverage	4,941,741	5,097,211	6,003,195
Finance and corporate services	4,733,049	4,636,057	4,648,009
Games	2,010,853	2,027,114	2,005,874
Guest services	422,591	405,708	414,996
Human resources	1,305,006	1,302,720	1,108,996
Information services	1,104,282	1,097,416	1,048,203
Lotteries	3,277,269	3,263,615	3,163,407
Marketing and sponsorship	934,381	955,277	964,560
Office of the President	1,945,965	908,760	953,003
Operations	952,646	918,715	909,788
Playland tech services	3,857,729	3,841,583	3,764,737
Public safety and parking	2,400,174	2,489,200	3,081,592
Rides	3,108,985	2,912,334	2,840,385
Sales and group sales	696,201	876,556	1,007,820
Tech services	4,880,151	5,002,268	6,048,956
Ticketleader	1,365,127	1,762,645	2,067,153
	46,256,792	45,750,511	48,722,910
Annual surplus	750,210	613,570	115,467
Accumulated surplus, beginning of year	1,332,051	1,332,051	1,216,584
Accumulated surplus, end of year	\$ 2,082,261	\$ 1,945,621	\$ 1,332,051

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31, 2017

Year ended March 31, 2017, with comparative information for 2016

	Budget	2017	2016
	(Note 1(i))		
Annual surplus	\$ 750,210	\$ 613,570	\$ 115,467
Acquisition of tangible capital assets	-	(3,205,089)	(1,570,369)
Amortization of tangible capital assets	-	1,757,831	1,787,327
	750,210	(833,688)	332,425
Acquisition of inventories held for use	-	(3,715,993)	(3,714,296)
Increase in prepaid expense	-	(3,776,314)	(5,918,120)
Consumption of inventories held for use	-	3,520,568	3,629,322
Use of prepaid expense	-	5,291,993	4,561,486
	-	1,320,254	(1,441,608)
Decrease (increase) in net debt	750,210	486,566	(1,109,183)
Net debt, beginning of year	(20,938,925)	(20,938,925)	(19,829,742)
Net debt, end of year	\$ (20,188,715)	\$ (20,452,359)	\$ (20,938,925)

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2017

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 613,570	\$ 115,467
Items not involving cash:		
Amortization of tangible capital assets	1,757,831	1,787,327
Change in non-cash operating working capital:		
Decrease in accounts receivable	177,508	5,748
Decrease (increase) in prepaid expenses	1,515,679	(1,356,634)
Increase in inventories held for use	(195,425)	(84,974)
Decrease in accounts payable and accrued liabilities	(729,197)	(875,513)
Increase (decrease) in deferred revenue	532,736	(663,333)
Net change in cash from operating activities	3,672,702	(1,071,912)
Capital activities:		
Cash used to acquire tangible capital assets	(3,205,089)	(1,570,369)
Financing activities:		
Increase (decrease) in bank indebtedness	848,312	(491,897)
Increase (decrease) in bank loan	(2,416,225)	4,234,478
Net change in cash from financing activities	(1,576,913)	3,742,581
Net change in cash	(1,100,300)	1,100,300
Cash, beginning of year	1,100,300	-
Cash, end of year	\$ -	\$ 1,100,300

See accompanying notes to financial statements.

AUTHORITY, PURPOSE, AND NATURE OF OPERATIONS:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the Province of British Columbia. It has four main activity streams: an annual 15 day fair, Playland amusement park, year round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia.

The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned of the City of Vancouver and is an independently operated entity. As a result of its ownership, PNE is not subject to income taxes. These financial statements have been prepared on the basis that the PNE is a going concern, which assumes that the PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. The PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and the continued support of its lenders and its parent, the City of Vancouver.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The financial statements of PNE have been prepared by management in accordance with Canadian Public Sector Accounting Board ("PSAB") standards of Chartered Professional Accountants Canada.

(b) Revenue recognition:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event. Sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Revenue recognition (continued):**

Contributions from the City of Vancouver, from senior government, or from other donors are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions with a designated purpose are deferred until used for the intended purpose. Government transfers are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by PNE, except when and to the extent that the transfer gives rise to a liability and is recognized as revenue when and in proportion to how the liability is settled.

(c) Deferred revenue:

Amounts received in the fiscal year in advance of providing the related services are deferred and are recorded as revenue as the services are provided.

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises of ticket sales, fees, deposits and other revenues for events that are not recognized as revenue until the related event is held.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives shown below.

Asset	Basis	Rate
Machinery, furniture and equipment	Declining balance	10 – 30%
Playland rides and equipment	Straight-line	15 years – 40 years
Playland rides under capital lease	Straight-line	15 years – 40 years
Leasehold improvement	Declining balance	10 – 15%

Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to PNE's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Non-financial assets:

(ii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of cost and replacement cost.

Inventories are consisted of stores, plush toys, merchandise, and food and beverages. Cost is determined using the weighted average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

Replacement cost is the estimated current price to replace the items.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

PNE uses the following method and assumptions to estimate the fair value of each class of financial instruments:

(i) Cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities - the carrying amounts approximate fair value due to the short-term nature of these instruments.

(ii) Foreign currency hedge instrument - measured at current market price.

Unrealized changes in fair value are not recognized until they are realized, when they are recorded in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**(f) Employee future benefits:**

The PNE and its employees make contributions to Municipal Pension Plan (the “Plan”) which is a multi-employer joint trustee plan. The Plan is a defined benefit plan, providing a pension on retirement based on the member’s age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by entity, the Plan is accounted for as a defined contribution plan and any contributions of PNE to the Plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to useful life of tangible capital assets, valuation of accounts receivable, valuation of inventory and provision for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of operations.

(i) Budget information:

Budget information has been provided for comparative purposes and have been derived from the Corporate Plan for 2016/2017 approved by the Board of Directors of PNE on April 1, 2016. The budget is reflected in the statement of operations and the statement of changes in net debt.

2. DUE FROM/(TO) GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS:

Included in accounts receivable and accounts payable and accrued liabilities are the following amounts due from/to government:

	2017	2016
Accounts receivable:		
City of Vancouver	\$ 184,439	\$ 4,513
Accounts payable and accrued liabilities:		
City of Vancouver	(117,164)	(19,759)
Payroll tax remittances	(109,423)	(111,820)
	(226,587)	(131,579)
	\$ (42,148)	\$ (127,066)

3. BANK LOAN:

	2017	2016
Demand operating loan	\$ 9,460,000	\$ 10,566,000
Demand instalment loan for capital	5,504,669	6,814,894
	\$ 14,964,669	\$ 17,380,894

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of \$14,560,000 (2016 - \$14,560,000) in operating credit and \$6,840,000 (2016 - \$6,840,000) for instalment loan for capital purchases. The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling \$160,000 (2016 - \$160,000).

The bank loan is measured at fair value.

Subsequent to year-end, the maximum borrowing was increased to \$15,000,000 in operating credit and \$9,900,000 for instalment loan for capital purchases. The interest rate was lowered to the bank prime rate minus 0.25%.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2017	2016
Accounts payables and accrued liabilities	\$ 2,984,089	\$ 3,795,802
Salaries and benefits payable	735,754	630,269
Accrued vacation pay	326,952	349,921
Other	10,000	10,000
	<u>\$ 4,056,795</u>	<u>\$ 4,785,992</u>

5. PENSION BENEFITS:

PNE and its employees contribute to the Municipal Pension Plan (the “Plan”), a jointly trustee pension plan. The Plan’s Board of Trustees for these plans, representing plan members and employers, is responsible for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan. The Plan has approximately 189,000 active members, of whom 179 are employees of PNE, and 85,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2015, indicated a funding surplus of approximately \$2,224 million for basic pension benefits on a going concern basis. The next required valuation will be as at December 31, 2018, with results available in 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

PNE’s employer contributions to the Plan amounted to \$909,453 in 2017 (2016 - \$911,561).

6. TANGIBLE CAPITAL ASSETS:

Cost	Balance March 31, 2016	Additions	Disposals	Transfers	Balance March 31, 2017
Machinery, furniture and equipment	\$ 17,878,806	\$ -	\$ -	\$ 842,991	\$ 18,721,797
Playland rides and equipment	23,042,806	-	-	293,385	23,336,191
Assets under construction	198,298	3,205,089	-	(1,136,376)	2,267,011
Totals	\$ 41,119,910	\$ 3,205,089	\$ -	\$ -	\$ 44,324,999

6. TANGIBLE CAPITAL ASSETS (CONTINUED):

Accumulated amortization	Balance March 31, 2016	Disposals	Amortization Expenses	Balance March 31, 2017
Machinery, furniture and equipment	\$ 11,415,212	\$ -	\$ 999,969	\$ 12,415,181
Playland rides and equipment	12,012,598	-	757,862	12,770,460
Totals	\$ 23,427,810	\$ -	\$ 1,757,831	\$ 25,185,641

6. TANGIBLE CAPITAL ASSETS (CONTINUED):

	Net book value March 31, 2016	Net book value March 31, 2017
Machinery, furniture and equipment	\$ 6,463,594	\$ 6,306,616
Playland rides and equipment	11,030,208	10,565,731
Assets under construction	198,298	2,267,011
Totals	\$ 17,692,100	\$ 19,139,358

(a) Assets under construction:

Assets under construction having a value of \$2,267,011 (2016 - \$198,298) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of tangible capital assets:

There are no write-down of tangible capital assets in the current year (2016 - nil).

7. FINANCIAL RISK MANAGEMENT:

PNE has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and foreign exchange risk.

The Board of Directors ensures that PNE has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to PNE if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by PNE consisting of amounts receivable.

It is management's opinion that PNE is not exposed to significant credit risk arising from its amounts receivable.

7. FINANCIAL RISK MANAGEMENT (CONTINUED):**(b) Market risk:**

Market risk is the risk that changes in market prices, such as interest rates, will affect PNE's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. It is management's opinion that PNE is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that PNE will not be able to meet its financial obligations as they become due.

PNE manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PNE's reputation.

(d) Foreign exchange risk:

Foreign exchange risk is the risk to PNE's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. PNE may use foreign currency swaps to mitigate this risk.

8. COMMITMENTS AND CONTINGENT LIABILITIES:

- (a) PNE may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against PNE, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of PNE. At March 31, 2017, there are no significant outstanding claims.
- (b) On July 12, 2014, PNE's status as a registered charity under the Income Tax Act was revoked by the Canada Revenue Agency ("CRA"). As a result, PNE, as of that date, is no longer entitled to use the special GST reporting method for charities or issue donation receipts. Subsequently, the CRA confirmed that the PNE is qualified for an annulment rather than a revocation effective July 12, 2014. Whereas revocation would have resulted in additional tax payable, annulment results in no additional tax liability.
- (c) As of March 31, 2017, PNE has US dollar foreign exchange forward contracts to purchase US\$1,000,000 between May 15, 2017 and May 31, 2017. An unrealized gain of \$29,900 has been recognized on these contracts as of March 31, 2017.

9. EXPENSES BY OBJECT:

	2017	2016
Cost of goods sold	\$ 2,422,651	\$ 2,802,057
General and administrative	20,929,729	22,384,702
Payroll	20,380,932	21,501,428
Amortization	1,757,831	1,787,327
Interest – bank loans	151,677	167,956
Interest – term finance	107,691	79,440
	\$ 45,750,511	\$ 48,722,910

10. COMPARATIVE INFORMATION:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.



Pacific National Exhibition

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