

Pacific National Exhibition

Financial Statements
December 31, 2000

February 23, 2001
(except for note 5, which is as of March 28, 2001)

Auditors' Report

To the Directors of Pacific National Exhibition

We have audited the balance sheet of **Pacific National Exhibition** as at December 31, 2000 and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Exhibition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Exhibition as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Incorporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Pacific National Exhibition

Balance Sheet

As at December 31, 2000

	2000 \$	1999 \$
Assets		
Current assets		
Cash	34,404	62,611
Accounts receivable	864,723	1,622,934
Inventories	489,902	532,662
Prepaid expenses	37,060	16,304
Deposit on amusement ride	-	294,281
	<hr/> 1,426,089	<hr/> 2,528,792
Capital assets (notes 3 and 5)	<hr/> 7,905,605	<hr/> 2,197,027
	<hr/> <hr/> 9,331,694	<hr/> <hr/> 4,725,819
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	2,142,237	1,631,493
Bank loan (notes 4 and 5)	2,480,000	5,790,000
Deferred revenue	146,046	210,524
Deferred contributions (note 5)	1,118,681	-
Current portion of obligations under capital leases (note 6)	912,042	72,207
	<hr/> 6,799,006	<hr/> 7,704,224
Deferred contributions (note 5)	212,242	-
Obligations under capital leases (note 6)	<hr/> 5,961,587	<hr/> 39,741
	<hr/> <hr/> 12,972,835	<hr/> <hr/> 7,743,965
Net assets		
Net assets invested in capital assets	819,734	2,085,079
Unrestricted net assets	<hr/> (4,460,875)	<hr/> (5,103,225)
	<hr/> <hr/> (3,641,141)	<hr/> <hr/> (3,018,146)
	<hr/> <hr/> 9,331,694	<hr/> <hr/> 4,725,819

Nature and future of operations (note 1)

Commitment (note 9)

Approved by the Board of Directors

_____ Director

_____ Director

Pacific National Exhibition

Statement of Changes in Net Assets For the year ended December 31, 2000

			2000	1999
	Invested in capital assets \$	Unrestricted \$	Total \$	Total \$
Net assets - Beginning of year	2,085,079	(5,103,225)	(3,018,146)	(2,336,103)
Excess (deficiency) of revenue over expenditures for the year	(1,701,467)	1,078,472	(622,995)	(682,043)
Purchase of capital assets with unrestricted funds	79,887	(79,887)	-	-
Principal payments under capital leases	356,235	(356,235)	-	-
Net assets - End of year	<u>819,734</u>	<u>(4,460,875)</u>	<u>(3,641,141)</u>	<u>(3,018,146)</u>

Pacific National Exhibition

Statement of Revenue and Expenditures

For the year ended December 31, 2000

	2000	1999
	\$	\$
Revenue		
Events	31,174,658	26,492,086
Province of British Columbia contribution	17,500	1,117,500
City of Vancouver contribution	-	500,000
Amortization of deferred contributions (note 5)	106,077	-
	<hr/>	<hr/>
	31,298,235	28,109,586
Operating expenditures	<hr/>	<hr/>
	29,723,115	27,528,179
Operating earnings	<hr/>	<hr/>
	1,575,120	581,407
Other expenditures		
Depreciation	1,807,544	402,899
Interest on bank loan	260,926	294,346
Interest on capital leases	129,645	16,205
City of Vancouver	-	550,000
	<hr/>	<hr/>
	2,198,115	1,263,450
Deficiency of revenue over expenditures for the year	<hr/>	<hr/>
	(622,995)	(682,043)

Pacific National Exhibition

Statement of Cash Flows

For the year ended December 31, 2000

	2000 \$	1999 \$
Cash flows from operating activities		
Deficiency of revenue over expenditures for the year	(622,995)	(682,043)
Items not affecting cash		
Depreciation	1,807,544	402,899
Amortization of deferred contributions	(106,077)	-
	<hr/>	<hr/>
	1,078,472	(279,144)
Net change in non-cash working capital items, excluding current portion of obligation under capital leases and deferred contributions	<hr/>	<hr/>
	1,520,762	(1,665,482)
	<hr/>	<hr/>
	2,599,234	(1,944,626)
Cash flows from financing activities		
Contributions received to acquire capital assets	1,437,000	-
Increase (decrease) in bank loan	(3,310,000)	2,160,000
Principal payments under capital leases	(356,235)	(103,082)
	<hr/>	<hr/>
	(2,229,235)	2,056,918
Cash flows from investing activities		
Purchase of capital assets	<hr/>	<hr/>
	(398,206)	(93,396)
Increase (decrease) in cash	(28,207)	18,896
Cash - Beginning of year	<hr/>	<hr/>
	62,611	43,715
Cash - End of year	<hr/>	<hr/>
	34,404	62,611
Supplementary information		
Non-cash financing activity		
Increase in capital lease obligations	<hr/>	<hr/>
	7,117,916	-
Non-cash investing activity		
Capital asset additions financed with capital leases	<hr/>	<hr/>
	(7,117,916)	-
Interest paid	<hr/>	<hr/>
	305,102	310,551

Pacific National Exhibition

Notes to Financial Statements

December 31, 2000

1 Nature and future of operations

The Pacific National Exhibition (the Exhibition) was incorporated by the Province of British Columbia (the Province) under the Pacific National Exhibition Incorporation Act of British Columbia for the purpose of furthering agricultural and other industries, and promoting community development. The Exhibition is a not-for-profit entity and, accordingly, no income tax provision or related accounts are presented in these financial statements. The Exhibition operates on a site (Hastings Park) under an operating agreement with the City of Vancouver (the City).

On June 24, 1999, City Council approved an extension of the Exhibition's use of Hastings Park, in the form of an Operating Agreement (the Agreement). A formal written agreement with the City has not been executed and is being finalized. However, all parties to the Agreement are acting in accordance with the proposed terms. Significant terms of the Agreement are:

- The term of the Agreement will be for three years commencing January 1, 2000 and terminating December 31, 2002.
- Restoration of Hastings Park will continue during the term of the Agreement.
- The Exhibition will pay an operating fee to the City of \$1 per year.

The Exhibition will pay for the maintenance and all operating costs associated with the premises. The City will contribute to the maintenance of Hastings Park only in those years where the Exhibition incurs an operating loss as defined in the Agreement. The City's annual contribution will be equal to the lesser of \$300,000 or the amount of the operating loss incurred in the year. The definition of operating loss under the Agreement is still under discussion. No recovery has been recorded for the year ended December 31, 2000.

The Exhibition is continuing to actively assess alternative sites for relocation. However, there is no assurance that the Exhibition will be able to secure a suitable site.

Due to the uncertainty about the future location of the Exhibition, management is unable to estimate the amount, if any, of shutdown costs relating to moving from the Hastings Park site. Accordingly, no provision has been made in these financial statements for shutdown costs. The ultimate cost, if any, cannot be determined until the future location and format of the Exhibition is determined.

As at December 31, 2000, the Exhibition had a net asset deficiency of \$3,641,141 (1999 - \$3,018,146). The Exhibition's ability to continue as a going concern depends on its ability to generate operating profits in the near future, continued support from the Province, and its ability to find a new site and finance its redevelopment or remain at the current site. These financial statements have been prepared on the basis that the Exhibition will realize its assets and discharge its liabilities in the normal course of operations.

Pacific National Exhibition

Notes to Financial Statements

December 31, 2000

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures for the reporting period of the statement of revenue and expenditures. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded at cost less accumulated depreciation.

The Exhibition depreciates its assets on a straight-line basis to estimated salvage values over the remaining term of the Agreement, which expires December 31, 2002. Management has estimated total salvage values to be \$4,300,000.

Inventories

Inventories consist of stores, plush toys, food and beverages, and are valued at the lower of cost and replacement cost.

Revenue recognition - contributions

The Exhibition follows the deferral method of accounting for contributions. Contributions are recorded as revenue when received or receivable except when the donor has specified that they are intended for use in a future period, in which case they are deferred. Contributions are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to fund capital asset acquisitions and improvements are deferred until the specified expenditures are incurred. These contributions are recognized as revenue on the same basis as the related capital assets and improvements are depreciated.

Deferred revenue

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract.

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Notes to Financial Statements

December 31, 2000

3 Capital assets

	2000		1999	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Machinery, furniture and equipment	2,287,159	1,907,939	379,220	422,335
Playland rides and equipment	6,366,235	4,752,467	1,613,768	1,751,470
	8,653,394	6,660,406	1,992,988	2,173,805
Leased assets	7,359,020	1,446,403	5,912,617	23,222
	16,012,414	8,106,809	7,905,605	2,197,027

4 Bank loan

The Exhibition has the following credit facilities with a Canadian chartered bank:

	2000		1999	
	Available \$	Outstanding \$	Available \$	Outstanding \$
Seasonal operating line	3,000,000	-	3,000,000	-
Operating line	12,000,000	2,480,000	12,000,000	5,790,000
	15,000,000	2,480,000	15,000,000	5,790,000

A general security agreement covering all assets and undertakings of the Exhibition has been provided as security for the seasonal operating line and operating line. Additionally, the Province has provided a guarantee expiring on December 31, 2002 for the \$12 million operating line. The operating line bears interest at prime rate. All amounts borrowed under the operating line are due and payable in full on July 1, 2001 unless the bank agrees, prior to the maturity date, to convert the operating line into a demand loan or renegotiates the facility.

The seasonal operating line is available from June 15, 2001 until September 15, 2001 and can only finance seasonal costs associated with the annual fair in excess of the \$12 million operating line. The facility bears interest at prime rate. All amounts borrowed under the seasonal operating line are due and payable in full on September 15, 2001 unless the bank agrees, prior to the maturity date, to convert the seasonal operating line into a demand loan.

The guarantee by the Province of the Exhibition's debt includes the amount of any letters of credit outstanding. Letters of credit outstanding total \$45,000 as at December 31, 2000 (note 7).

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5 Deferred contributions

During the year, \$1,437,000 was received from the Province to fund capital upgrades and improvements to the Exhibition's facilities. Of this amount, \$318,319 was spent in 2000 on specified projects. The unspent balance of \$1,118,681, which will be utilized in future years, was temporarily used to reduce the Exhibition's operating line (note 4). Subsequent to year end, the \$1,118,681 was transferred into a separate bank account.

The contributions spent in 2000 have been amortized to revenue as follows:

	\$
Balance - Beginning of year	-
Add: Contributions used to acquire capital assets	318,319
Less: Amounts amortized to revenue	<u>(106,077)</u>
Balance - End of year	<u>212,242</u>

6 Obligations under capital leases

The future minimum lease payments under capital leases are as follows:

	\$
Year ending December 31	
2001	1,353,725
2002	1,641,020
2003	2,561,981
2004	761,313
2005	<u>1,950,087</u>
	8,268,126
Less: Amount representing interest	<u>1,394,497</u>
	6,873,629
Less: Current portion	<u>912,042</u>
	<u>5,961,587</u>

Interest rates on capital leases average 7.27% annually.

The capital leases provide that at the end of the respective lease terms, the Exhibition is required to either extend the term of the leases, purchase the assets based on a pre-determined purchase option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and a pre-determined residual value.

The above schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

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7 Letters of credit

The following letters of credit are outstanding as at December 31, 2000:

	\$	Expiry
Brewers' Distributions Ltd.	35,000	August 27, 2001
Liquor Distribution Branch	<u>10,000</u>	August 27, 2001
	<u>45,000</u>	

8 Superannuation fund

The Exhibition contributes to the British Columbia Municipal Superannuation Fund for eligible employees.

9 Commitment

During 2000, the City agreed to repair the roof of the Coliseum building on the understanding that the Exhibition would contribute to the costs associated with the work. The Exhibition and the City have agreed that, subject to formal documentation and subject to the use of the Coliseum during the period by the Vancouver Giants WHL hockey team, the Exhibition will pay \$100,000 annually to the City in 2001 and 2002.