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## I. Message from the Chair of the Board of Directors

The Pacific National Exhibition marked the third year of its ownership by the City of Vancouver with a sound financial performance. 2006 also marked the second full year the PNE had tenure on site due to the decision by City Council in June of 2004 to allow the continuation of the traditional operations of the annual summer Fair, Playland Amusement Park and year round venue rentals. Despite the fact that there is still much detail to be determined about the specific future uses of Hastings Park, the City's Hastings Park and PNE planning process has allowed the PNE to make short-term strategic investment into the site and operations.

Maintenance budgets were increased to facilitate site and building care including restoring the exterior of the historic Forum building. In addition, further planning and improvements to the Pacific Coliseum were started in preparation for the upcoming 2010 Olympics, including expanding the ice surface to international size.

On behalf of the Board of Directors, I would like to thank the Advisory Committee members for their advice and in particular all PNE staff for their dedication to the operations of the PNE at Hastings Park.



Brent MacGregor  
Chair – Board of Directors  
Pacific National Exhibition

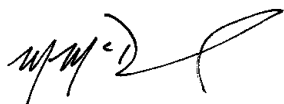
## II. Message From the President and Chief Executive Officer

2006 was a year full of great milestones for the PNE. The year started with the completion of the most successful World Junior Hockey Tournament in its history and the Vancouver Giants winning the President's Cup with top spot in the WHL. Playland and Fright Nights, for the third year in a row, delivered more than 350,000 guests; The Fair posted the second largest opening day on record; was named as the Best Family Entertainment Event in Canada; and finished with the strongest financial results in its history. Financially, 2006 marked the seventh year in a row of posting a positive net contribution.

Whether it was for community, cultural and religious events, trade and consumer shows, concerts and film shoots, Vancouver Giants hockey games, or simply to visit the public park, Hastings Park was once again an active and vibrant location for millions of Vancouverites and British Columbians.

With the 100th anniversary of the PNE fast approaching in 2010, we remain committed to evolving so as to best serve guests and clients throughout the immediate and greater communities for all uses of Hastings Park. The PNE's business-minded and community-minded philosophy will continue to make this a viable organization that benefits Greater Vancouver as well as British Columbia, both economically and culturally.

2006 was very successful for the PNE, and I would like to take this opportunity to thank all of the dedicated and hard working staff that have continued to go above and beyond year after year to make this great company successful. I would also like to thank the Board of Directors for their many hours of service and dedication to the present and future of the PNE. Together, we look forward to continuing our long history of enriching the quality of life at Hastings Park by providing family entertainment that invites our guests to celebrate Vancouver's heritage, culture, and diverse communities in a vibrant urban park.



Michael McDaniel  
President and Chief Executive Officer  
Pacific National Exhibition





### III. Overview of the Pacific National Exhibition

#### **PNE Values**

**The PNE works to achieve its mission through an underlying set of core values which impact every aspect of our commitment to the guests we serve:**

- **Strive for excellence, always**
- **Remain industry leaders by providing the best entertainment value for our guests in a clean, safe, and fun environment**
- **Build on our history and tradition while proactively creating our future**
- **Treat all partners, employees, and guests with integrity, fairness and respect**
- **Stay committed to the growth and sustainability of the organization and the Hastings Park site**

The Pacific National Exhibition (PNE) is a non-profit registered charity owned by the City of Vancouver. Since it was established in 1910, the PNE has helped to shape the history of Vancouver through its mandate of showcasing the best of British Columbia's agricultural and cultural activities to the world and through the range of events and celebrations held on site over the past nine decades. No single location in Vancouver has captured the spirit and history of this city, its people and its many achievements as well as the PNE. For more than ninety years, millions of guests have enjoyed shows, exhibits, sporting events, community events, amusement rides, concerts, cultural activities and of course, the annual summer Fair at the PNE; the longest running and best attended event in British Columbia. Hastings Park has been the site of hundreds of famous milestone events - from the historic Miracle Mile to early live performances by Elvis and the Beatles. Over the decades, the PNE has showcased the best of Vancouver to the rest of Canada and to the world. The PNE continues to grow as a vibrant and dynamic organization dedicated to providing over three million visitors a year with first-class cultural, sporting, and family entertainment events, as well as access to a beautiful and active public park.

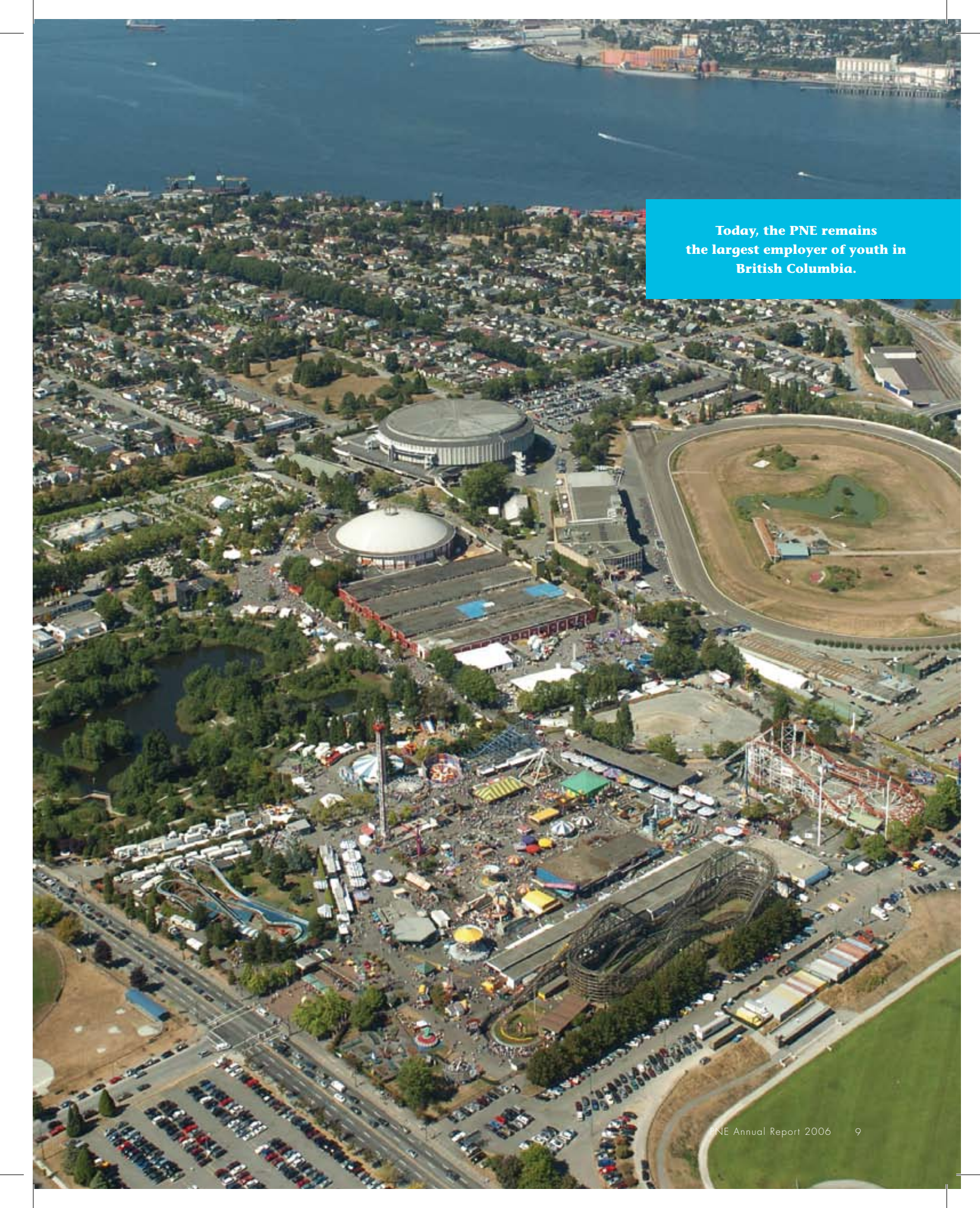
#### **A. PNE Mission**

The mission of the PNE is to enrich the quality of life at Hastings Park by providing a range of family entertainment that invites our guests to celebrate Vancouver's heritage, culture, and diverse communities within a vibrant urban public park. We embrace our tradition as Vancouver's favourite place to gather and celebrate while setting new standards for family entertainment in British Columbia.

#### **B. PNE, The Hub of Social, Community and Cultural Activities**

The PNE is Vancouver's place to gather and celebrate. This comes as a result of the many diverse activities that occur on site along with the PNE's commitment to providing first-class entertainment within an inviting, vibrant public park. Highlights of those activities are profiled in this 2006 annual report.





Today, the PNE remains  
the largest employer of youth in  
British Columbia.



## IV. 2006 Year in Review

Following one of the best years on record in 2005, 2006 was another stellar success for the PNE. The year launched with the PNE hosting the Relegation Games of the World Junior Hockey Championships at the Pacific Coliseum. Year-round facility rentals were strong and provided guests with a diverse range of sporting, cultural, and musical events throughout the year. Both Playland and the Fair had outstanding seasons showcasing a range of new and exciting entertainment. Overall, the organization provided fun-filled memories and the Public Park was widely enjoyed by Vancouverites and tourists alike. Financially, the PNE surpassed its targeted budget on almost every front posting another one of the strongest financial years on record and the organization continues to demonstrate its resilience and agility for a strong and sustainable future.



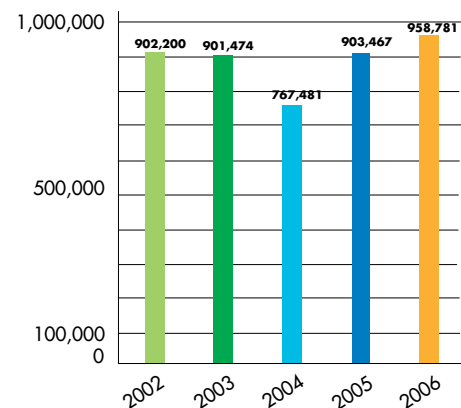
## A. Event Highlights of 2006

### The Fair at the PNE

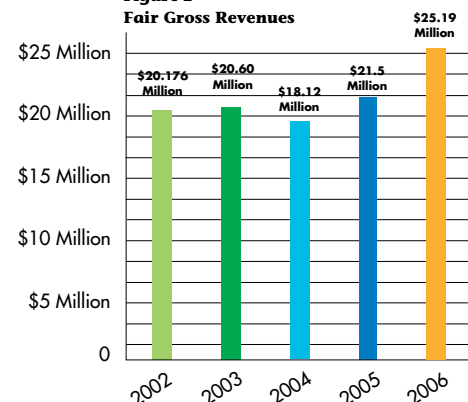
Each year almost a million visitors enjoy the hundreds of live show performances, exhibits, rides, games, food, and attractions that make up the annual Fair at the PNE, an end of summer tradition for generations of British Columbians. With over 800 free entertainment performances each year, the options seem endless, from children's programming to shows for tweens, teens, young adults, families and seniors...there really is something for everyone! Highlights from the 2006 Fair include:

- The 2006 Fair at the PNE hosted 958,781 guests, a 6% growth in attendance over 2005. See figure 1 for five year attendance trends.
- The Fair achieved gross revenues of \$25.19 million, an increase of 17.2% over 2005, and this provided a gross contribution of \$7.48 million, an increase of 31.18% over 2005. See figures 2 and 3 for five year trends.
- The PNE launched its new Opening Day Tradition of offering free gate admission to guests between 9 am to 12 noon on the first day of the Fair. This resulted in over 92,000 guests on opening day.
- The PNE launched a significant retail expansion involving a transition from hard tickets to gift cards in 225 retail outlets throughout the Lower Mainland. This expansion resulted in 40% growth in the number of tickets sold through the same retailers in the same locations as 2005. This is also important strategic growth as the Fair experiences a higher on-site spend when tickets are purchased early and offsite.
- During the Fair, the PNE's employee base reached its peak at 3,650 employees, 90% of which are located in the Vancouver Lower Mainland area. The PNE's focus is on providing transferable job skills in areas such as customer service, communications, hospitality, finance, warehousing, security, agriculture, and entertainment.

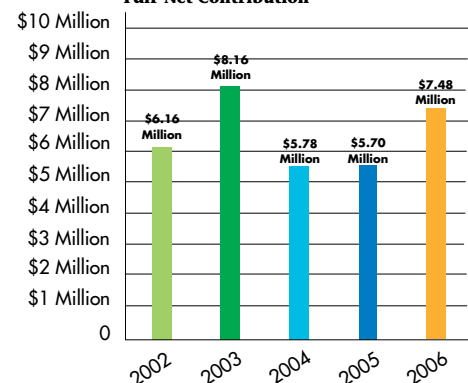
**Figure 1**  
**Fair Attendance**



**Figure 2**  
**Fair Gross Revenues**



**Figure 3**  
**Fair Net Contribution**





#### 2006 Gift Cards



**The 17-day Fair at the PNE continues to be the best attended and longest running annual event in British Columbia.**

- 2006 continued the significant entertainment expansion started in 2005 and included the following elements:

1. The new star-studded evening concert series including performances by Chilliwack, David Cassidy, The Road Hammers, The Nylons, Glenn Campbell and Tony Orlando to name just a few.
2. The introduction of several new shows and attractions such as the Home Depot Home Improvement Showcase, Pacific Spirit Horse Show, Illusions and Beyond Magical Show, Sport Town Hero Celebration Parade and the fantastic new nightly pyro-musical finale, Rollin' Thunder.
3. Programming in the Exhibition Plaza continued to grow with the addition of the Canadian Forces demonstrations, High Dive show and a Street Stars performance location.
4. The ongoing Miller Drive growth strategy included an expanded Sandcastle Competition, Hot Wheels racing school and a Playland ride expansion with the introduction of a new public entrance gate on Miller Drive at Lot 9.



## PNE Prize Home Lottery Program

Each year the PNE also holds a lottery that helps support non-revenue producing attractions such as agricultural programming and a wide variety of free family entertainment for the public to enjoy. The 2006 lottery grand prize package included the following elements:

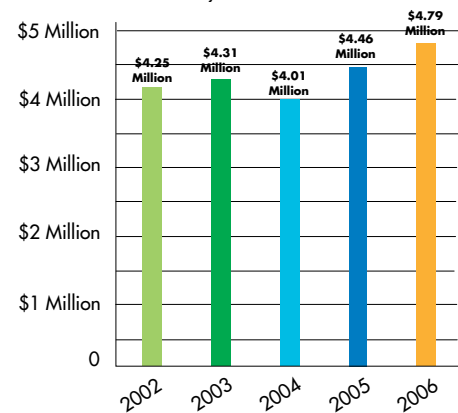
- Fully furnished, professionally designed 3,300 square foot luxury home
- Ocean view lot on the Sunshine Coast
- \$10,000 prepaid Visa
- \$2,500 gift certificate for groceries
- Sport boat

There were also three early bird prizes and as a series of 14 vehicles awarded as secondary prizes. Other 2006 Lottery highlights included:

- Total lottery prizing for 2006 valued at over \$1.6 million
- A new \$50 ticket type was successfully introduced with over 133,045 ticket sheets sold
- The Lottery achieved gross revenues of \$4.79 million surpassing budget targets as well as the 2005 actuals by 7%. Figure 4 provides a summary of PNE lottery gross revenues since 2002.

**Lottery prizing is secured through a combination of purchase agreements and corporate sponsorship commitments.**

**Figure 4**  
**PNE Lottery Gross Revenues**



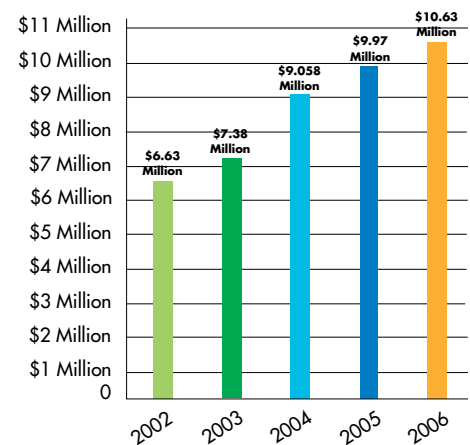
## Playland Amusement Park

Playland Amusement Park is open from April to September each year and is recognized as one of the premiere entertainment destinations in the Lower Mainland. From the thrill of the extreme rides to our special zone for 3 to 8 year olds, from the games to food to special attractions, Playland attracts over 300,000 fun-seeking youth and families from throughout the Lower Mainland and British Columbia each year.

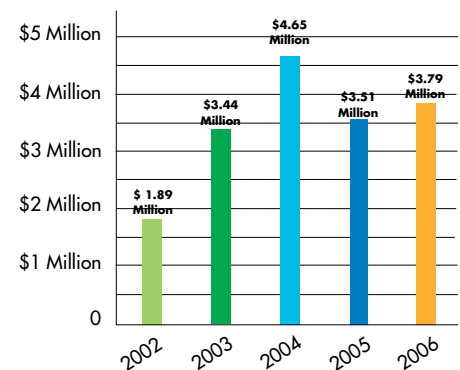
In 2006, Playland was open for 105 operating days and played host to 301,341 guests between April 14 and October 1. This was a spectacular season in Playland and the highlights include:

- An increase in attendance of 1% over 2005 despite having no new attractions in the park and surpassing the 2006 attendance target.
- Gross revenues from park operations were very strong at \$10.63 million. This was 9.8% higher than budget and 6.62% higher than 2005 actuals. See figure 5 for five year trend.
- The operating surplus was \$3.79 million for 2006. This surpassed budget by 5.1% and was an 8.13% increase over 2005. See figure 6 for five year trend.
- Season pass sales saw significant growth to over 8,000 passes in 2006, up 24% from 2005. This was in part due to the launch of a more aggressive Christmas holiday gift campaign.
- Playland also saw the launch of the retail gift card expansion and transitioned from hard tickets to gift cards in 75 retail outlets throughout the Lower Mainland for the 2006 season. This resulted in approximately 7% growth in sales with the same retailer in the same locations and provides solid footing for continuing the gift card expansion strategy.

**Figure 5**  
**Playland Gross Revenue**



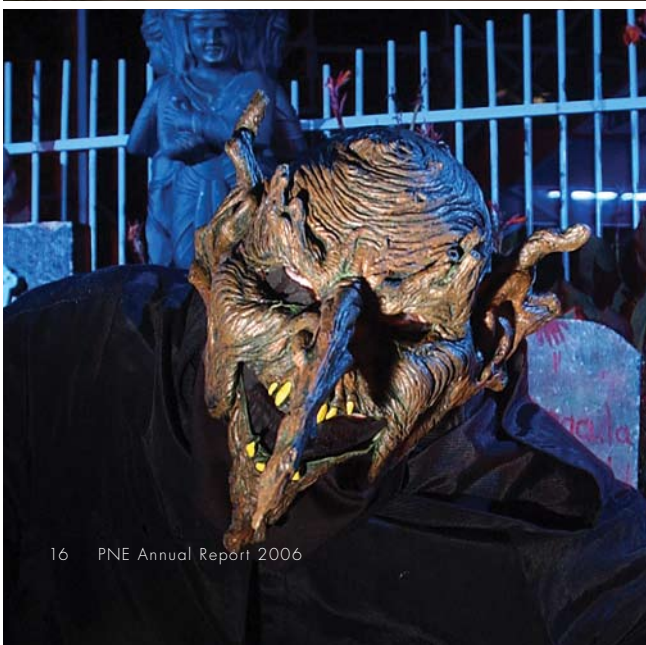
**Figure 6**  
**Playland Net Contribution**









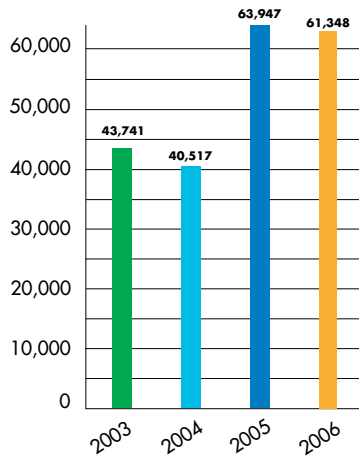


## Fright Nights at Playland

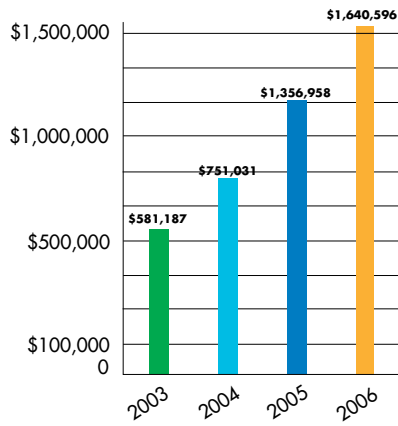
Since 2003, the Playland season has been extended through October to include Fright Nights, the PNE's own, uniquely themed Halloween event with rides and haunted attractions targeted at 12 to 35 year olds. The event runs for approximately 18 evenings each October and 2006 was the event's 4<sup>th</sup> Halloween season. Fright Nights popularity continues to increase resulting in strong annual growth. Highlights from 2006 include:

- Fright Nights hosted 61,348 guests in 2006, a decrease of 4% over 2005. This decrease was due to inclement weather throughout the 2006 event as well as the positive effect on attendance in 2005 due to a teachers' strike. See figure 7 for four year attendance trend.
- Gross revenues of \$1.64 million were generated resulting in a net contribution of \$537,224. See figures 8 and 9 for four year trend.
- In 2006, several new elements were added including additional roaming cast members, a fire show, the expansion of the haunted maze, and the addition of a haunted attraction.

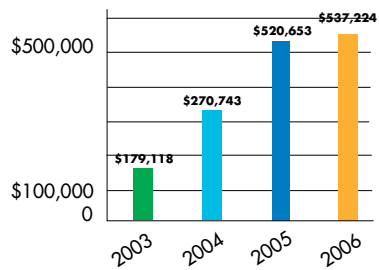
**Figure 7**  
**Fright Nights Attendance**



**Figure 8**  
**Fright Nights Gross Revenues**



**Figure 9**  
**Fright Nights Net Contribution**







## Year-Round Facility Sales – Concerts, Sports, and Multicultural Events

In addition to the Fair and Playland, the PNE also manages and operates six buildings on the Hastings Park site: the Pacific Coliseum, Rollerland, the Garden Auditorium, Forum, Agrodome, and the Livestock building. Rental of these facilities allows the PNE to fill out the year with a wide range of entertainment and events on site including local, national and international concert productions, sporting events, community and cultural events, consumer shows, and filming. The PNE team works to anticipate market shifts within these industries to ensure the site remains busy and active with events for the community to enjoy year round. Highlights of 2006 facility sales are as follows:

### Concerts

Concert activity for the year started slowly but in total, 101,484 guests attended 17 concerts at the PNE in 2006. Highlights included:

- The Pacific Coliseum hosted a diverse range of national and international music acts including Brad Paisley, Queen, Brooks and Dunn, Rob Zombie, Fall Out Boy, Bob Dylan, Black Eyed Peas, Sheryl Crow and John Mayer, Panic at the Disco and Hilary Duff.
- The Forum saw several smaller concerts including Bad Religion, Snow Patrol and Sounds of the Underground.
- This was also a year of significant change in the concert market resulting from the acquisition of House of Blues Concerts Canada by Live Nation Concerts which caused uncertainty regarding what impact this would have in Canada.
- In 2006, the PNE achieved \$2.1 million in gross revenue from concert activity.

- While the number of mainstream concerts was down, there was an increase in the number of smaller shows held in the Forum building. This was the result of the closure of the Pacific Coliseum in June and July for Olympic upgrades, resulting in that venue being unavailable through an active summer concert season.

### Cultural Shows

The PNE also hosts a number of cultural events onsite providing diversity and a place for all groups to celebrate. The number of guests attending cultural shows was down slightly in 2006 as Indo Canadian promoters chose to bring in smaller shows over the larger events which had been traditionally mounted in the Pacific Coliseum. Other cultural highlights on site included:

- Between January 26-29, Lunar New Year celebrations occurred at the Pacific Coliseum hosting over 28,000 guests.
- On April 15, over 2,200 guests celebrated Vaisakhi Mela at the PNE Agrodome.
- The Bollywood concert “Rock Stars Live” brought over 2,200 guests to the Agrodome and a Desi Doordarsham concert brought an additional 2,600 guests to the Pacific Coliseum.
- In March, the Agrodome hosted 5,000 people at the annual Ismaili festival on site.

**PNE facilities provide over 267,600 square feet of available space on site, making the PNE British Columbia's largest venue for community and sporting events, multicultural shows, trade fairs and conventions, concerts, and film shoots.**

## Film Activity

2006 was a very strong year for filming with a total of 59 projects working on site. Highlights included:

- 616 film days with combined revenue of \$877,998 which was more than \$203,000 over budget for the year.
- PNE facilities used for film activity included the Forum, Rollerland, the Livestack Barns, parking lots and occasionally, the outside grounds.
- The PNE maintained strong relationships in the industry to ensure that the organization is well prepared for market slow downs and can take best advantage of increased market activity, as film activity can be volatile.

## Dance Parties

The PNE provides a safe, well-supervised, public venue for promoters to host all night dance parties.

- In 2006, the PNE hosted two events, a drop from the usual four annual events held in previous years. This is seen as a natural market fluctuation for this type of event.









## Sporting and Family Events

The PNE is at the very centre of Vancouver's sporting activities and family entertainment. The PNE is the home venue for the Vancouver Giants, providing community ice to public and community groups and hosting Disney on Ice, BC Boys Basketball tournament, martial arts events, Oldtimers Hockey and various other special sporting events. Highlights of sporting activities held at the PNE in 2006 are outlined below:

- 2006 was off to a spectacular launch with the Pacific Coliseum playing host to the World Junior Hockey Championships and FanFest event. Over 10 days, more than 100,000 guests enjoyed this world-class event.
- The Vancouver Giants junior hockey team continued to show their strength as a franchise, participating in 10 playoff games through the end of the 2005/06 season in their run for the Memorial Cup. Over 305,000 hockey fans attended Vancouver Giants games in 2006 resulting in gross revenue of \$3.4 million, almost \$1.5 million over budget for the year.
- The introduction of two new mixed martial arts events in the Agrodome contributed a total of \$227,556 in new gross revenues.
- Disney on Ice was a great success bringing over 50,800 guests through the Pacific Coliseum in November to experience the family show "The Incredibles" .
- The PNE site also played host to the opening ceremonies and special athlete event for the Macabbi Games in August.
- BC Boys basketball, the Provincial Championship Tournament for boys high school basketball hosted over 11,000 guests who came out to support their favourite teams.
- In September, the Pacific Coliseum welcomed the Skate Canada training camp.



- The Oldtimers Hockey remained an annual favourite.
- The PNE also proudly hosted over 2,400 students from the surrounding community to the PNE to participate in a local Terry Fox run.
- The PNE provided community ice in the Agrodome to 573 groups over 127 days in 2006.
- The Garden Auditorium remained home to Cirkids circus training school and in 2006, hosted their annual show “Circus Odyssey”.

## Trade Shows

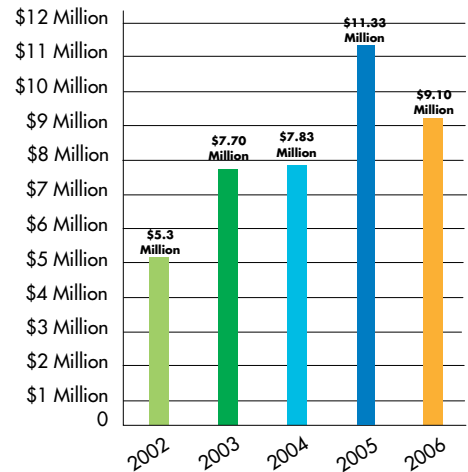
PNE facilities are also utilized to host a number of consumer and trade shows.

- In 2006, shows included the Lordco Trade show, Neptune Food show, Fish Pac Trade show, and the Motor Cycle Toy Run.
- Facilities are also utilized for a series of retail warehouse sales. As an example, the Paradigm retail show held September 11-18 brought over 11,000 guests to Hastings Park.

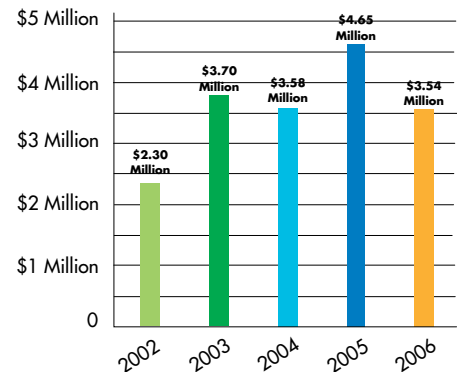
## Overall Facility Sales

- Based on the highlights and factors noted above, the PNE saw a decline in total event days on site from 1,817 in 2005 to 1,462 in 2006. As a result, total attendance at all ticketed events was 652,001 in 2006 compared to 920,173 in 2005.
- Gross event revenues for 2006, however, were \$9.1 million, down only slightly from \$11.33 million in 2005. See figure 9 for five year trend.
- The combination of events on site provided a gross contribution of \$2.78 million in 2006. See figure 10 for five year trend.

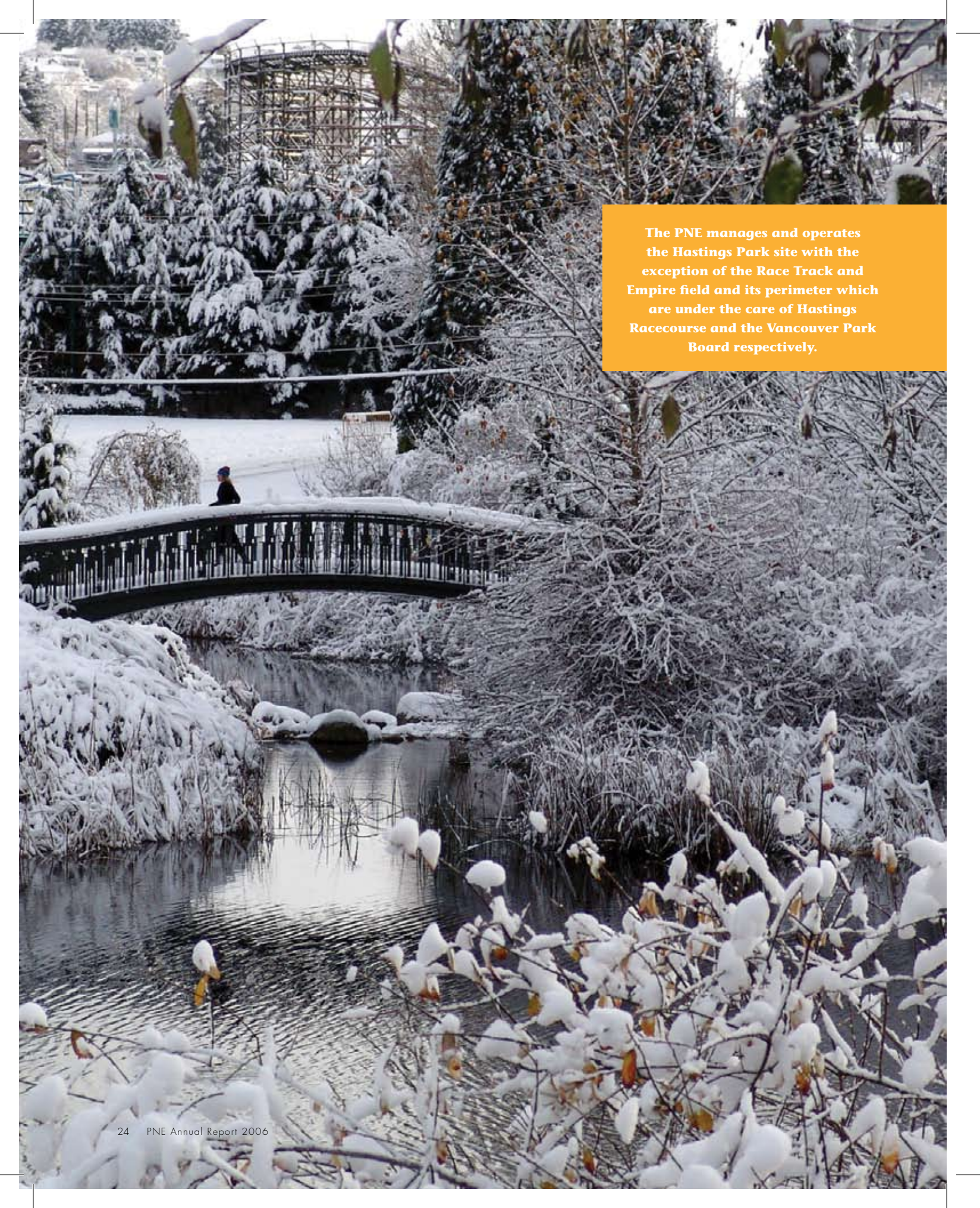
**Figure 9**  
**Facility Sales Gross Revenues**



**Figure 10**  
**Facility Sales Net Contribution**







The PNE manages and operates the Hastings Park site with the exception of the Race Track and Empire field and its perimeter which are under the care of Hastings Racecourse and the Vancouver Park Board respectively.



## B. Organizational Highlights of 2006

### PNE as a Vibrant Urban Public Park

The PNE has proudly been at the heart the Hastings Park site since the organization's inception in 1910. Today, the PNE continues to be the primary steward in maintaining the building facilities on site as well as the public park. This includes maintaining the trees, statues, benches, park equipment, lawns and gardens throughout the site. Care of the facilities and grounds is a regular budgeted expense, and each year the PNE invests millions of dollars to ensure the park remains well taken care of for the community to enjoy year round.

The full Hastings Park site covers some 162 acres and includes a beautifully landscaped public park area for the community to enjoy year round. The PNE operates and manages approximately 114 acres of the site and has specially trained horticultural teams on staff to ensure that the public park, including Italian gardens, Momiji gardens, and the Sanctuary remain in their naturally intended states.

Highlights to note from the Public Park throughout 2006 include:

- In 2005, the PNE opened public washrooms at the North West corner of the sanctuary from dawn until dusk. This remained in effect through 2006.
- The PNE ensured removal of all excess parking barricades and bumper blocks as well as a stretch of unnecessary fencing around the Sanctuary.
- The semi-weekly site inspection program implemented in 2004 to draw management attention to site issues remained a priority. As well, there has been continued integration of dedicated site look resources under specific management portfolios.
- The PNE continued to proactively initiate improvements to buildings and facilities, ensure timely graffiti removal and garbage pick-up while also continuing to build and improve partnerships with community organizations in order to ensure the long-term sustainability of Hastings Park.
- In 2006, the PNE contributed \$3.327 million towards the maintenance of the site and buildings at Hastings Park.
- As did many parks across the Lower Mainland, Hastings Park suffered damage from the extreme wind and weather faced over the winter months of 2006. Many trees on site were damaged and a section of the Pacific Coliseum roof was blown off. The roof was repaired and the PNE continues to work on site protection and enhancement to minimize weather impacts where possible.





## PNE in the Community

With a strong future in place at Hastings Park, the PNE is steadfast in its desire to positively impact the immediate, city-wide, and provincial community and the PNE has a proud history of giving back. Community outreach programs activities have evolved over 97 years, reflecting the changing times and social history of Vancouver. In 2006, PNE community highlights included:

- The PNE continued its Miracle Mile athletic bursary program throughout 2006 by awarding a \$500 bursary every month to a BC amateur athlete.
- The PNE continued to offer community ice and provide subsidized facility rentals to many non-profit & community groups.
- One of the PNE's legacy community programs is the Report Card Fair Ticket Program where complimentary Fair admission tickets are given to elementary school aged students across BC. Over 15 million tickets have been given out since the program started in the 1940s and the program continued with over 45,000 tickets redeemed in 2006.
- The PNE also continued to put considerable effort into improving relationships with its neighbours. As part of those efforts, the PNE established a dedicated community phone line and e-mail address to provide timely response to neighbour questions and concerns.
- In 2006, the PNE expanded the Neighbourhood Clean-Up crew and the Neighbourhood Bike Patrol teams who patrolled the streets around the PNE grounds during both the Fair and Fright Nights, picking up garbage and providing a presence for community safety.



**In 2006, the PNE's community outreach activities were recognized with a first place award from the Western Fairs Association for being proactive and supportive of the local neighbourhood.**



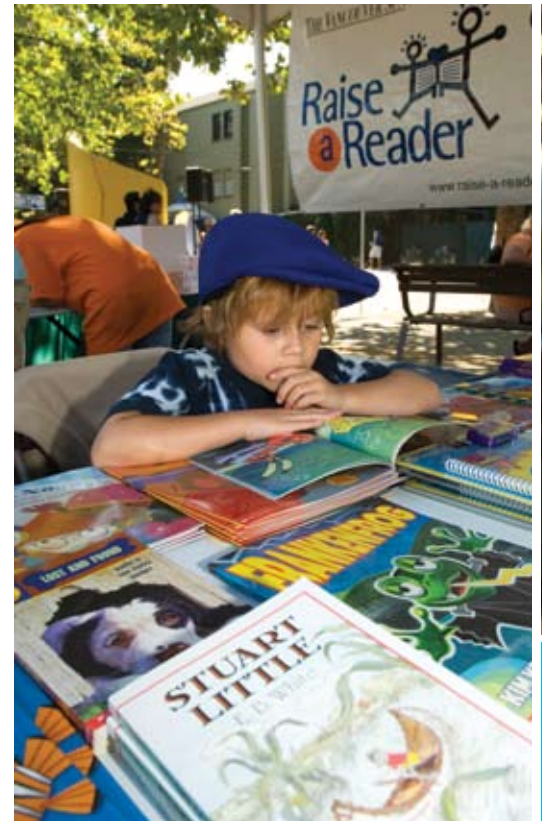
- The PNE also continued the Hastings Park Pass program offering a limited number of passes to residents in the Hastings-Sunrise area so they may be able to access the park and Sanctuary during the 17 days of Fair. This was to ensure neighbours had access to paths for jogging and other regular park activities.
- The PNE also successfully launched a Neighbourhood School Outreach Program to support the initiatives of 15 schools surrounding Hastings Park. A highlight of the program's components included the proactive donations of 1,830 tickets to schools and students.
- The PNE Community Relations department also supported a variety of neighbourhood projects including Our Community Story, Hastings Community Little League, North Hastings BIA, hosting the Terry Fox National School Day Run for neighbourhood schools and donating hundreds of tickets in support of the fundraising events of non-profit groups across BC.

The PNE remains committed to expanding its existing community outreach programs and implementing new ones.

## Charitable Contributions

The PNE regularly and generously gives back to the local and surrounding communities through the use of its resources to support charitable fundraising. Highlights of charitable activities in 2006 include:

- The PNE provided ticket donations to the Kids Up Front charity which helps underprivileged children and families attend events such as Playland, concerts, shows, and hockey games held at the PNE. In total over 1,600 individuals attended events through this program in 2006.
- The PNE continued its "You CAN Help" recycling program with the Salvation Army.







**In 2006, the PNE raised over \$33,000 for the BC Youth in Agriculture Foundation at the PNE Annual Egg Auction.**

- The PNE donated hundreds of Playland passes to over 250 different charitable, community, educational, and sport groups in 2006.
- The PNE also designated three days of the 2006 Fair as “Charity Days” where management worked with charity partners to help raise funds on site to support Raise-A-Reader, Variety, the Children’s Charity and CANstruction, a charity in support of the Greater Vancouver Food Bank.
- The PNE also hosted its annual Charity Auction to raise funds for a key charity very close to the PNE, BC Youth in Agriculture Foundation, an organization that represents the roots of what the PNE was founded upon, showcasing British Columbia agriculture to the world.
- Additionally, the PNE supported charities through its Playland operations for organizations such as CKNW Orphan’s Fund.



## Heritage

The PNE dedicates resources each year to ensuring steps are taken to preserve the history and heritage of the Hastings Park site. In 2004, the PNE embarked upon a multi-year investment plan to repair and upgrade several heritage structures on site. Achievements in 2006 include:

- Based on the plan developed by the City of Vancouver Heritage consultants in 2004, the PNE has continued its work on revitalizing key facilities. In 2006, this included upgrades, window replacement, repairs and painting of the Forum building for a total investment of over \$250,000. The Agrodome is targeted for refurbishment in 2007 after the successful completion of Rollerland and the north face of the historic livestock building in 2004/5.
- In 2006, the Pacific Coliseum also received a number of upgrades including the final installation of new seats throughout at a total cost of \$3.4 million. The seat upgrades were paid for by the Vancouver Olympic Organizing Committee as part of the planned Olympic capital works budget. The building also received an Ice surface expansion in anticipation of the 2010 Olympic and Paralympic Winter Games resulting in the summer closure period for the Pacific Coliseum.

Continued growth and financial success of the PNE will enable ongoing improvements and investments in the site's heritage structures.





## Sustainability

The PNE continues to implement principals of sustainability throughout its activities and in 2006 took several steps in this regard:

- The 2004, 2005 and 2006 PNE prize homes have all incorporated renewable, recyclable, durable and non-toxic materials from local and recycled sources. Secondary prizes have included hybrid vehicles. Since 2000, all PNE prize homes have included solar panels, reclaimed wood floors, in-floor radiant heating, recycled rubber roofs, Hardie siding, Trex decking (recycled plastic & sawdust), low emission paint, recycled carpets, and a water reclamation system to name just a few of their sustainable features.
- Planning in 2006 included the incorporation of sustainable initiatives when planning to upgrade or change systems. This includes plans to change paper programs to use more recycled material in hand towels as well as moving to low flow toilets in the restrooms, a more efficient ice plant and energy efficient field of play lighting in the Pacific Coliseum. Additional Pacific Coliseum upgrades will take place over the next two years.
- The PNE continues a site wide recycling program introduced in 2005 in partnership with the Salvation Army whereby 150 new recycling bins were introduced into the Pacific Coliseum, Fairgrounds and Playland amusement park. All recyclables collected on site are donated to the Salvation Army who utilizes proceeds to provide funding for Vancouver-based community programs.



## **City of Vancouver Public Consultation Process: Future of Hastings Park and the PNE**

At the end of 2003, the Province entered into an agreement with the City of Vancouver to transfer ownership of the PNE from the Province to the City. This transfer took effect January 1, 2004.

Upon taking over PNE ownership on January 1, 2004, the City of Vancouver embarked on a Public Consultation Process to define the future of Hastings Park and the PNE. In June 2004, following this city-wide public consultation process, Vancouver City Council heard from delegates and reviewed a series of options for the future of Hastings Park and the PNE, directing staff to explore and further develop an approach between Option 3 and Option 4 as described in a staff report dated May 6, 2004 "Hastings Park/PNE – Four Approaches for the Future". This approach ensures an ongoing role for the annual 17-day summer Fair, for a seasonal amusement park and for the year-round operations of the site - all within the context of the "greening" of Hastings Park. A planning process is underway with a final master plan scheduled for completion in 2010.

This process has allowed the PNE to plan for the future and make short-term strategic investment into the site and operations which will continue to support its ongoing financial stability. The PNE continued to participate as a member of the key stakeholder group in this process throughout 2006.











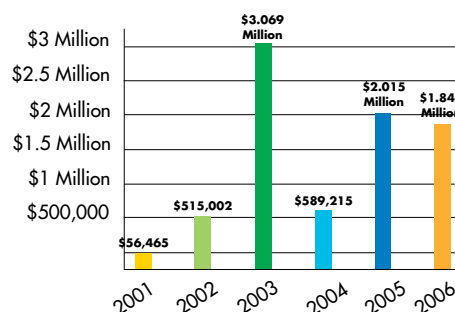
## C. Financial Highlights of 2006

The results of 2006 continue to show the PNE's strong trend of improvement in financial stability. Capital expenditures stayed on track throughout the year on a total capital budget of \$1.557 million and the organization has continued to provide an operating surplus for the last six consecutive years. See Figures 11 and 12 for six year trends.

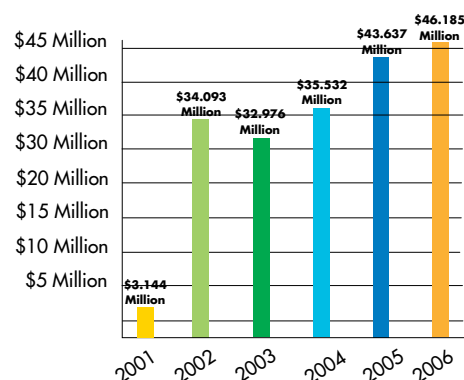
Management continues to be dedicated to growing gross revenues through strategic development of revenue-producing activities and being creative with efficiencies. The PNE remains committed to being responsible stewards of the site and making appropriate investment in all aspects of the organization to ensure its long-term sustainability for many generations.

The PNE also continues to contribute to the economic strength of the surrounding community. An independent 2002 Pannell Kerr Forster economic impact study reported a \$139 million economic impact from the PNE with the majority of those economic spin-offs being generated in the Vancouver Census Market Area. An additional 2004 independent study conducted during the public consultation process projected the PNE's economic impact now between \$202 and \$236 million annually. The PNE proudly continues to operate with no annual operating subsidy from government and all of its organizational activities are funded by revenues generated through three of its revenue generating activity streams: Playland Amusement Park, the Fair at the PNE, and year-round facility rentals.

**Figure 11**  
**Total Operating Surplus/Deficit**  
**(Net Contribution 1999-2006)**



**Figure 12**  
**Total Gross Revenues, 1999-2006**





## V. Report of Management's Responsibility for Financial Statements

The Pacific National Exhibition Incorporation Act requires that the PNE 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. The statements were prepared using Canadian Generally Accepted Accounting Principles. The statements include amounts based on management's estimates and judgments. We believe that these statements represent fairly 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 2006 annual report have verified its completeness and accuracy. Our independent auditors, BDO Dunwoody LLP, have audited the financial statements using Canadian Generally Accepted Auditing Standards, to the extent necessary to form an independent opinion on the financial statements prepared by management.

Michael McDaniel  
President & Chief Executive Officer

Jason Christopherson  
Vice President, Finance & Corporate Services



## VI. Corporate Governance

### 2006 BOARD OF DIRECTORS

Mr. Brent MacGregor – Chair  
Ms. Susan Mundick – Director  
Ms. Estelle Lo – Director  
Mr. Michael Zora – Director

### 2006 COMMUNITY ADVISORY COMMITTEE

Ms. Stephanie Williamson – Community Advisor (representing North Hastings BIA)  
Mr. David Fairey – Community Advisor (representing Vancouver Economic Development Commission)  
Mr. Hakam Bhaloo – Community Advisor (representing Leadership Vancouver)  
Vacant – Community Advisor (representing Hastings Community Association)  
Vacant – Community Advisor (representing Hastings Community Forum)  
Vacant – Community Advisor (representing Hastings Park Conservancy)

### EXECUTIVE MANAGEMENT COMMITTEE

Mr. Michael McDaniel – President and Chief Executive Officer  
Mr. Jason Christopherson – Vice President, Finance and Corporate Services  
Mr. Michael MacSorley – Vice President, Operations  
Mr. Peter Male – Vice President, Sales  
Ms. Shelley Frost – Vice President, Marketing  
Ms. Stacy Shields – Vice President, Human Resources  
Ms. Salome Valente – Executive Assistant and Corporate Secretary

### CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit registered charity 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 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.

### 2006 AUDITOR

BDO Dunwoody LLP 600 - 925 West Georgia Street  
Chartered Accountants Vancouver, BC  
Canada, V6C 3L2

Telephone: (604) 688-5421  
Telefax: (604) 688-5132  
E-mail: [vancouver@bdo.ca](mailto:vancouver@bdo.ca)





## VII. Auditor's Report



BDO Dunwoody LLP  
Chartered Accountants  
600 - 925 West Georgia Street  
Vancouver, BC Canada, V6C 3L2  
Telephone: (604) 688-5421  
Telefax: (604) 688-5132  
E-mail: [vancouver@bdo.ca](mailto:vancouver@bdo.ca)

To the Directors of the  
Pacific National Exhibition

We have audited the Statement of Financial Position of the Pacific National Exhibition as at December 31, 2006 and the Statements of Operations, Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Pacific National 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 Pacific National Exhibition as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Act, we report that, in our opinion, these principles have been applied on a consistent basis.

A handwritten signature in black ink that reads 'BDO Dunwoody LLP'.

Chartered Accountants  
Vancouver, British Columbia  
March 2, 2007

## VIII. Statement of Cash Financial Position for the Year Ended December 31, 2006

	2006	2005
<b>Assets</b>		
<b>Current</b>		
Cash (Note 5)	\$ -	595,966
Accounts Receivable	1,045,890	3,473,814
Inventories	661,356	695,767
Prepaid Expenses	581,736	339,169
	2,288,982	5,104,746
Property and equipment (Note 3)	8,856,176	8,612,812
	<b>\$11,145,158</b>	<b>\$13,717,558</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Bank Indebtedness	\$ 79,134	\$ -
Accounts Payable and accrued liabilities	2,542,212	3,710,960
Bank Loans (Note 4)	1,080,000	3,303,272
Deferred Revenue	271,094	121,701
Current portion of obligations under capital leases (Note 6)	1,275,760	1,237,355
Deferred contributions (Note 5)	232,023	274,668
Obligations under capital leases (Note 6)	1,215,621	2,464,945
	6,695,844	11,112,901
<b>Net Assets</b>		
Net assets invested in property and equipment	6,132,722	4,635,848
Unrestricted net deficiency	(1,683,458)	(2,031,191)
	4,449,314	2,604,657
	<b>\$11,145,158</b>	<b>\$13,717,558</b>

Financial Instruments (Note 2)

Pension Plan (Note 7)


Outstanding Lawsuits (Note 8)

Related Party Transactions (Note 9)

Commitment (Note 10)

Approved by the Board of Directors

  
Director

  
Director



## IX. Statement of Operations for the Year Ended December 31, 2006

	2006	2005
<b>Revenue</b>		
Events	\$45,541,764	\$43,083,582
Amortization of deferred contributions	42,645	42,881
Other	600,783	510,579
<b>Total Revenues</b>	<b>46,185,192</b>	<b>43,637,042</b>
<b>Operating Expenses</b>	<b>42,877,302</b>	<b>40,008,001</b>
<b>Operating Earnings</b>	<b>3,307,890</b>	<b>3,629,041</b>
<b>Other Expenses</b>		
Amortization	1,108,703	1,105,781
Interest - Bank Loans	203,965	224,710
Interest - Capital Leases	150,565	283,108
<b>Total other Expenses</b>	<b>1,463,233</b>	<b>1,613,599</b>
<b>Excess of revenue over expenses</b>	<b>\$1,844,657</b>	<b>\$2,015,442</b>

## X. Statement of Changes in Net Assets for the Year Ended December 31, 2006

	Invested in property & equipment	2006 Unrestricted	Total	2005 Total
Net assets - Beginning of year	\$4,635,848	(\$2,031,191)	\$2,604,657	\$589,215
Excess of revenue over expense for the year	(1,066,058)	2,910,715	1,844,657	2,015,442
Purchase of property and equipment with unrestricted funds	1,352,067	(1,352,067)		
Principal payments under capital leases	1,210,915	(1,210,915)		
Net assets - End of year	<b>\$6,132,772</b>	<b>(\$1,683,458)</b>	<b>\$4,449,314</b>	\$2,604,657



## XI. Statement of Cash Flows for the Year Ended December 31, 2006

	2006	2005
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures for the year	\$1,844,657	\$ 2,015,442
Items not affecting cash		
Amortization	1,108,703	1,105,781
Amortization of deferred contributions	(42,645)	(42,881)
	2,910,715	3,078,342
Net change in non-cash working capital items	1,200,409	(1,331,358)
	4,111,124	1,746,984
<b>Cash flows from financing activities</b>		
Increase (decrease) in bank loans	(2,223,272)	814,228
Principal payments under capital leases	(1,210,915)	(985,107)
Capital Lease Financing	-	1,385,222
	(3,434,187)	1,214,343
<b>Cash flows from investing activity</b>		
Net purchase of property and equipment	(1,352,067)	(2,666,437)
	(1,352,067)	(2,666,437)
(Decrease) Increase in cash	(675,130)	294,890
Cash - Beginning of year	595,996	301,106
Cash (Bank Indebtedness) - End of year	\$(79,134)	\$ 595,996

## XII. Significant Accounting Policies 2006

### Inventories

Inventories consist of stores, plush toys, food and beverages, and are valued at the lower of cost or net realizable value. Cost is determined by the average cost method.

### Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Machinery, furniture, and equipment	10 - 30%	Declining balance method
Playland rides and equipment	5 - 15 years	Straight line method
Playland rides under capital lease	15 years	Straight line method

### Deferred revenue

Advertising revenue for long-term contracts are recognized on a straight line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the event is held.

### Revenue recognition

Revenues from the annual 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.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded following the deferral method. Contributions are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recorded as revenue when they are deemed receivable. Contributions with a designated purpose are deferred until used for the intended purpose. Contributions to fund property or equipment acquisitions, and improvements are deferred and recognized on the same basis as the related property or equipment is amortized.



**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 operations. Areas involving significant estimation include contingencies and the life and amortization rates of property and equipment. Actual results could differ from those estimates.

**Financial Instruments**

The Pacific National Exhibition's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, bank loans and obligations under capital leases. Unless otherwise noted, management is of the opinion that the Pacific National Exhibition is not exposed to significant interest, currency, or credit risk arising from financial instruments. Fair values of these financial instruments approximate their carrying values.

## XIII. Notes to Financial Statements 2006

### 1. Nature of Operations

The Pacific National Exhibition is a premier entertainment destination in the province of British Columbia. It has four main activity streams: an annual 17-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. The Pacific National Exhibition's venues will also host activities during the upcoming 2010 Winter Games.

The mission of the Pacific National Exhibition 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 the Pacific National Exhibition became wholly owned by the City of Vancouver; however its operations are self-sustaining. As a result of its ownership and its registered charity status, the Pacific National Exhibition is not subject to income taxes.

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

### 2. Financial Instruments

#### a) Bank Loans:

The Pacific National Exhibition has an operating credit facility with a Canadian chartered bank in a combination of US and CDN dollars. The operating line bears interest at the bank prime rate.

#### b) Accounts receivable:

The Pacific National Exhibition regularly sells tickets through off-site retailers for its annual fair and Playland amusement park. At year-end a balance of \$Nil (2005 \$2,013,676) in accounts receivable was due from off-site retailers.

### 3. Property and Equipment

	Cost	Accumulated Amortization	2006  Net	2005  Net
Machinery, furniture and Equipment	\$8,050,319	\$5,371,418	<b>\$2,678,901</b>	\$2,336,588
Playland rides and equipment	8,935,624	6,855,378	<b>2,080,246</b>	2,200,541
	16,985,943	12,226,796	<b>4,759,147</b>	4,537,129
Capital Projects in progress	246,336		246,336	
Playland rides under capital Lease	6,838,212	2,987,519	<b>3,850,693</b>	4,075,683
	<b>\$24,070,491</b>	<b>\$15,214,315</b>	<b>\$8,856,176</b>	<b>\$8,612,812</b>

### 4. Bank Loans

Included in the bank loans is an amount of \$Nil denominated in US dollars (2005 - \$80,000).

The interest due on this loan is payable in US dollars.

The Pacific National Exhibition has an operating line credit facility with a Canadian chartered bank providing for maximum borrowing of \$12 million in a combination of US and CDN dollars.

The operating line bears interest at the bank prime rate. A general security agreement covering all assets and undertakings of the Pacific National Exhibition has been provided as security for the operating line. The guarantee by the City of Vancouver of the Pacific National Exhibition's bank loans includes the amount of letters of credit outstanding totaling \$45,000 (2005 - \$45,000).



## 5. Deferred Contributions

In 2000, \$1,437,000 was received from the Province and utilized in full to fund capital upgrades and improvements to the Pacific National Exhibition's facilities. This amount was spent as follows, 2005 \$34,825, 2004 - \$NIL, 2003 - \$35,566, 2002 - \$18,845, 2001 - \$1,029,359, and 2000 - \$318,405 on specified projects so that the total amount received has been spent.

	2006	2005
Balance - Beginning of year	\$274,667	\$282,724
Add: contributions used to acquire property, and equipment	-	34,825
Less: amounts amortized to revenue	(42,645)	(42,881)
Balance - end of year	\$232,023	\$274,668

## 6. Obligations Under Capital Leases

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

Year ending December 31		
	2007	\$1,364,359
	2008	880,564
	2009	403,385
		2,648,308
Less: Amount representing interest		(156,927)
Principal Obligation		2,491,380
Less: Current Portion		(1,275,760)
		\$1,215,621

Interest rates on capital leases range from 4.40% - 7.00% annually.

The capital leases provide that at the end of the respective lease terms, the Pacific National Exhibition is required to either extend the term of the lease, purchase the asset based on a pre-determined 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 the pre-determined residual value.

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

## 7. Pension Plan

The Pacific National Exhibition and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active members and approximately 48,000 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, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers.

Contributions by the Pacific National Exhibition to the Plan in fiscal 2006:

	2006	2005
Employee	\$552,706	\$473,076
Employer	565,978	497,755
Total	\$1,118,684	\$970,831

## 8. Outstanding Lawsuits

Various lawsuits and claims are pending by and against the Pacific National Exhibition. It is the opinion of management that final determination of these claims will not materially affect the financial position of the Pacific National Exhibition. Estimates of costs anticipated to result from claims are accrued where the amount can be reasonably estimated. Any differences from the estimates or any losses on claims that cannot be estimated will be recorded in the year the settlements occur.

## 9. Related Party Transactions

During the year the Pacific National Exhibition paid the following amounts to the City of Vancouver:

	2006	2005
Water Billings	\$377,878	\$378,384
Policing Services	139,042	164,893
Permits and Other	24,930	19,221
Total	\$541,850	\$562,498

These transactions are in the normal course of operations and are measured at the exchange value being the amount of consideration established and agreed to by the related parties.

## 10. Commitment

The PNE has entered into a construction agreement for 2007 in the amount of \$787,970.







