

THE BC FORESTRY REVITALIZATION TRUST
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2003

THE BC FORESTRY REVITALIZATION TRUST
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Exhibit A

To the Trustee
The BC Forestry Revitalization Trust

AUDITORS' REPORT

We have audited the statement of financial position of The BC Forestry Revitalization Trust as at December 31, 2003, and the statements of receipts and expenditures and net assets for the period then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

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 the Trustee, 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 Trust as at December 31, 2003 and its receipts and expenditures for the period then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, B.C.
October 9, 2004

THE BC FORESTRY REVITALIZATION TRUST
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003

ASSETS

CURRENT ASSETS

Cash	\$ 3,847
Marketable securities - at cost - Schedule 1	76,406,286
Interest receivable	<u>253,929</u>

TOTAL ASSETS

\$ 76,664,062

LIABILITIES

CURRENT LIABILITY

Accounts payable and accrued liabilities	<u>\$ 6,720</u>
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TOTAL LIABILITIES

6,720

FUND BALANCES

NET ASSETS

Administration Fund - Schedule 2	5,000,000
Contractor Mitigation Fund - Schedule 2	23,544,556
Forest Worker Mitigation Fund - Schedule 2	<u>48,112,786</u>

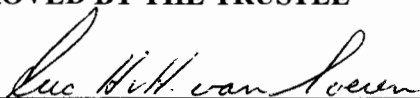
TOTAL NET ASSETS

76,657,342

TOTAL LIABILITIES AND NET ASSETS

\$ 76,664,062

APPROVED BY THE TRUSTEE



Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE BC FORESTRY REVITALIZATION TRUST
STATEMENT OF NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 2003

EXCESS OF RECEIPTS OVER EXPENDITURES	<u>\$ 1,657,342</u>
NON-OPERATING TRANSACTIONS	
Settlement of Trust	75,000,000
Disbursements to beneficiaries	<u>-</u>
	<u>75,000,000</u>
NET ASSETS AT BEGINNING OF PERIOD	<u>-</u>
NET ASSETS AT END OF PERIOD	<u>\$ 76,657,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE BC FORESTRY REVITALIZATION TRUST
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE PERIOD ENDED DECEMBER 31, 2003

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>Total</u>
INTEREST RECEIPTS - note 4(b)	<u>\$ 113,359</u>	<u>\$ 521,452</u>	<u>\$ 1,065,575</u>	<u>\$ 1,700,386</u>
EXPENDITURES - note 4(c)				
Audit fees	6,280	-	-	6,280
GST expense	2,816	-	-	2,816
Initial trustee fees	<u>33,948</u>	<u>-</u>	<u>-</u>	<u>33,948</u>
	<u>43,044</u>	<u>-</u>	<u>-</u>	<u>43,044</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	<u>\$ 70,315</u>	<u>\$ 521,452</u>	<u>\$ 1,065,575</u>	<u>\$ 1,657,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE BC FORESTRY REVITALIZATION TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

1. PURPOSE OF THE TRUST

The BC Forestry Revitalization Trust (the "Trust") was established by Deed of Trust dated March 17, 2003 (the "Trust Deed"). Pursuant to Bill 28-2003, the *Forestry Revitalization Act*, the Ministry of Forests of the Province of British Columbia made a payment of \$75,000,000 to settle the Trust. The funds are to be used to mitigate adverse financial impacts suffered by certain workers and contractors as a result of restructuring of the forestry sector and forestry operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.

2. BENEFICIARIES OF THE TRUST

The beneficiaries of the Trust are:

- (a) certain workers (unemployed forestry workers and retraining forestry workers as defined in subparagraph 2.02(2)(a) and (b) of the Trust Deed); and
- (b) certain contractors (as defined in subparagraph 2.02(2)(c) of the Trust Deed) who hold a replaceable contract or a replaceable subcontract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation* of the *Forest Act*.

3. DURATION OF THE TRUST

Subject to a possible extension of up to two years the Trust will terminate on the earlier of:

- (a) March 31, 2008; and
- (b) any date on which there is no remaining Trust property.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Fund Accounting

The BC Forestry Revitalization Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the Trust Deed and are to be used only for the specified purposes. The Trust comprises the following funds:

(i) Administration Fund

In accordance with the Trust Deed, \$5 million of the settlement payment was allocated to the Administration Fund to meet administration expenses for the duration of the Trust.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time from the Administration Fund to the other two funds to the extent that the transferred amounts are in excess of anticipated administrative expenses of the Trust. Any such transfers cannot be reversed.

THE BC FORESTRY REVITALIZATION TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

4. SIGNIFICANT ACCOUNTING POLICIES, *cont'd*

(ii) Contractor Mitigation Fund

In accordance with the Trust Deed, \$23 million of the settlement payment was allocated to the Contractor Mitigation Fund.

This fund is to be used to provide mitigation to certain replacable contractors for reductions in their contract volumes resulting from the reduction in the harvesting rights of certain licensees under the *Forestry Revitalization Act*;

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(iii) Forest Worker Mitigation Fund

In accordance with the Trust Deed, \$47 million of the settlement payment was allocated to the Forest Worker Mitigation Fund.

This fund is to be used to provide mitigation to certain forestry workers who ceased to be employed by certain licensees or contractors as a result of reductions in the harvesting rights of certain licensees under the *Forestry Revitalization Act*.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(b) Revenue Recognition and Allocation

Investment income will be recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

All income earned in respect of funds held in a mitigation fund shall be income of that mitigation fund and form part of the capital of that fund.

All income earned in any fiscal period in respect of funds held in the Administration Fund (net of any applicable taxes) will first be used to pay administrative expenses for the fiscal period. The remainder, if any, shall be added to the other two funds on a pro-rata basis as defined in the Trust Deed.

(c) Expenditures Allocation

In accordance with the Trust Deed, all expenditures are to be paid out of the Administration Fund. During the period ended December 31, 2003, an initial trustee administered the funds pending the appointment of the actual trustee and commencement of operations of the Trust. Accordingly, the settlement amount was held in an investment account and certain fees were charged by the initial trustee.

The actual trustee was appointed effective March 31, 2004.

THE BC FORESTRY REVITALIZATION TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

4. SIGNIFICANT ACCOUNTING POLICIES, *cont'd*

(d) Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

5. STATEMENT OF CASH FLOWS

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

6. SUFFICIENCY OF FUNDS

The Trustee and the Advisory Board have developed draft Forest Worker Mitigation Guidelines and draft Contractor Mitigation Guidelines. Based on those draft guidelines the Trustee has made preliminary calculations of the expected amounts required to make mitigation payments to eligible workers and contractors in accordance with the purpose of the Trust. These calculations were based on certain assumptions and on information and estimates provided by affected licensees and contractors.

There is a significant degree of uncertainty as to the number of potential beneficiaries of the Trust, and the total amount of mitigation for which they will be eligible based on the draft guidelines. In both the best and worst case scenarios, the estimates of amounts required to provide mitigation exceed the funds available in the Trust. Unless the Trustee and the Advisory Board are able to obtain additional funds, the Trust may be unable to provide mitigation at the level suggested by the draft guidelines. The Trustee and the Advisory Board have decided not to make disbursements to any beneficiaries until they can ascertain what additional funds, if any, may become available to the Trust, or can develop revised guidelines, acceptable to the Advisory Board and the Trustee, for which sufficient funds are available in the Trust.

7. INCOME TAXES

On the basis of verbal discussions with officials of the Canada Revenue Agency, the Trustee is of the opinion that the Trust is either a non-profit organization for income tax purposes or a public body performing a function of government. Under either definition, the Trust's income would not be subject to income taxes.

8. GOODS AND SERVICES TAXES

The Trustee has filed a request for a Goods and Services Tax ("GST") ruling to determine whether the Trust may claim a complete or partial refund of Input Tax Credits ("ITC's). If the ruling is favourable, the Trust will be able to recover ITC's since its inception.

THE BC FORESTRY REVITALIZATION TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

9. FAIR VALUE AND CREDIT RISK

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The Trust does not have a significant concentration of credit risk.

10. COMMITMENTS

In accordance with the Trust deed, all funds must be disbursed to beneficiaries by March 31, 2008 in accordance with the purpose of the Trust and the guidelines prepared by the Trustee and approved by the Advisory Board. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

THE BC FORESTRY REVITALIZATION TRUST
SCHEDULE OF MARKETABLE SECURITIES
FOR THE PERIOD ENDED DECEMBER 31, 2003

Government of Canada Treasury Bill Face Value \$8,160,000 Due January 15, 2004	\$ 8,089,824
Government of Canada Treasury Bill Face Value \$10,097,000 Due February 12, 2004	10,000,170
Anglo American PLC Face Value \$7,500,000 Discount Note - Due February 2, 2004	7,441,800
Government of Canada Treasury Bill Face Value \$12,868,000 Due February 26, 2004	12,777,667
Province of Ontario Treasury Bill Face Value \$10,175,000 Due February 19, 2004	10,107,437
GE Funding Co. Face Value \$7,633,000 Discount Note - Due March 12, 2004	7,632,108
Bank of Nova Scotia Face Value \$10,235,000 Bankers Acceptance - Due March 23, 2004	10,168,063
Face Value \$10,250,000 Due March 25, 2004	<u>10,189,217</u>
MARKETABLE SECURITIES	<u>\$ 76,406,286</u>

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THE BC FORESTRY REVITALIZATION TRUST
SCHEDULE OF FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2003

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>Total</u>
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Settlement of trust	5,000,000	23,000,000	47,000,000	75,000,000
Disbursements to beneficiaries	-	-	-	-
Excess of receipts over expenditures	70,315	521,452	1,065,575	1,657,342
Reallocation of administration fund excess	<u>(70,315)</u>	<u>23,104</u>	<u>47,211</u>	<u>-</u>
Balance, end of period	<u>\$ 5,000,000</u>	<u>\$ 23,544,556</u>	<u>\$ 48,112,786</u>	<u>\$ 76,657,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.