

Winnipeg Enterprises Corporation

Statements of Financial Position
May 31, 2001 and 2000

Together with Auditors' Report

AUDITORS' REPORT

To the Board of Directors of
Winnipeg Enterprises Corporation,

We have audited the statement of financial position of **WINNIPEG ENTERPRISES CORPORATION** (a Manitoba corporation) as at May 31, 2001. This statement of financial position is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this statement of financial position 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 statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation.

In our opinion, the statement of financial position presents fairly, in all material respects, the financial position of the Corporation as at May 31, 2001 in accordance with Canadian generally accepted accounting principles.

The financial statements of Winnipeg Enterprises Corporation as at May 31, 2000 were audited by other auditors whose report dated August 4, 2000 expressed an opinion without reservation. Because we were not engaged to audit the statement of operations and changes in unrestricted net assets for the year ended May 31, 2001, we did not extend our auditing procedures to enable us to express an opinion on the results of operations, changes in net assets, and cash flows for that year. Accordingly, we express no opinion on those statements.

Arthur Andersen LLP

Winnipeg, Manitoba
November 19, 2001

Winnipeg Enterprises Corporation

STATEMENTS OF FINANCIAL POSITION

May 31

2001

2000

\$

\$

ASSETS

CURRENT ASSETS

Cash	305,192	212,360
Short-term investments	750,000	1,250,000
Accounts receivable	1,220,225	988,825
Prepaid expenses	175,987	165,918

2,451,404 2,617,103

LONG-TERM INVESTMENTS (Note 3)

1,194,355 1,194,355

PROPERTY AND EQUIPMENT (Notes 4 and 5)

15,317,831 15,635,359

18,963,590 19,446,817

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	1,174,165	834,867
Advance tickets	738,163	1,549,644
Current portion of bank debt (Note 5)	546,245	521,157
Unearned revenue	189,053	138,569

2,647,626 3,044,237

BANK DEBT (Note 5)

6,824,207 7,377,113

9,471,833 10,421,350

COMMITMENTS (Note 6)

NET ASSETS

Net assets invested in property and equipment	9,270,285	9,118,160
Internally restricted net assets (Note 6)	450,000	-
Unrestricted net assets	(228,528)	(92,693)

9,491,757 9,025,467

18,963,590 19,446,817

Approved on behalf of the Board:

_____ Chairman

_____ Director

The accompanying notes are an integral part of these statements of financial position.

Winnipeg Enterprises Corporation

STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

For the years ended May 31

	2001	2000
	(Not audited or reviewed)	(Audited)
	\$	\$
REVENUE	6,081,353	5,439,905
EXPENSES		
Maintenance and operating	2,926,404	2,703,894
General and administrative	1,455,145	1,071,366
Depreciation	731,614	617,854
Interest on long-term debt	501,900	495,881
Provision for the Winnipeg Football Club doubtful account	-	522,861
	5,615,063	5,411,856
NET SURPLUS BEFORE INTERNAL RESTRICTION	466,290	28,049
INTERNAL RESTRICTION	(450,000)	-
NET SURPLUS	16,290	28,049
UNRESTRICTED NET ASSETS, beginning of year	(92,693)	21,710
INVESTMENT IN PROPERTY AND EQUIPMENT	(152,125)	(142,452)
UNRESTRICTED NET ASSETS, end of year	(228,528)	(92,693)

Winnipeg Enterprises Corporation

NOTES TO STATEMENTS OF FINANCIAL POSITION

May 31, 2001 and 2000

1. ENTITY DEFINITION, ECONOMIC DEPENDENCE AND GOING CONCERN CONSIDERATIONS

Entity definition

Winnipeg Enterprises Corporation (the "Corporation") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. The Corporation's purpose is to carry on self-sustaining activities related primarily to sport and entertainment for the purpose of civic improvement, pleasure, or recreation for the community of Winnipeg. The Corporation owns and operates the Winnipeg arena and stadium facilities, and conducts and promotes sporting and entertainment events, and other supportive business ventures.

Economic dependence

The Corporation's primary sources of revenue are generated from ongoing lease agreements and related services, transacted with the Winnipeg Football Club (the "WFC") and the Manitoba Moose Limited Partnership (the "Moose").

In addition, the terms of the Corporation's bank debt (Note 5) are contingent upon the security by way of a limited guarantee from the City of Winnipeg.

Going concern considerations

During 2001, a third party group of investors, known as the True North Project, announced its intention to construct and operate a new sports arena in the City of Winnipeg. As at November 19, 2001, the timing of the True North Project is uncertain. As a result, the potential impact of the True North Project on the operations of the Corporation is not currently determinable.

This statement of financial position has been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the Corporation will realize its assets and discharge its liabilities in the normal course of operations. The Corporation's ability to continue as a going concern is dependent on the outcome of the True North Project, the Corporation's intentions to combine its operations with the True North Project, the continued support of the City of Winnipeg for funding of the Corporation's ongoing operations and debt obligations, and the Corporation's ability to continue generating income from the ongoing lease agreements and related services with the WFC, the Moose and other third party users.

2. SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments are valued at the lower of cost or market. As at May 31, 2001, short-term investments consist of one-month guaranteed investment certificates and, as such, fair market value approximates cost. Short-term investments represent committed funds for advance tickets.

Long-term investments

Long-term investments consist of income debentures and are recorded at the lower of cost less principal repayments received and net realizable value.

Winnipeg Enterprises Corporation

NOTES TO STATEMENTS OF FINANCIAL POSITION

May 31, 2001 and 2000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and external funding received that has been specified for costs of acquisition. Depreciation of property and equipment is provided for by the straight-line method at the following annual rates:

Building and improvements	2.5% per year
Equipment and small tools	10.0% per year
Computer hardware	20.0% per year

Advance tickets

Advance tickets represent funds held on behalf of third party users of the Select-A-Seat ticket agency service.

Unearned revenue

Unearned revenue is amortized over the terms of the various related contracts.

Interest rate risk

The Corporation uses interest rate swap contracts to manage interest rate risk on certain floating rate bank debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate bank debt.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or applied against the cost base of the related capital asset acquired. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

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 and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. LONG-TERM INVESTMENTS

Long-term investments consist of 1,200 WFC Series A Income Debentures issued July 15, 1996 for a unit price of \$1,000. Each debenture is entitled to a pro-rata share of 25% of the net cash profit of the WFC and a 16 2/3% principal repayment of the net cash profit, if any, in any given fiscal year. The debentures are secured by a general security agreement, which is subordinate to the WFC existing bank debt.

Winnipeg Enterprises Corporation

NOTES TO STATEMENTS OF FINANCIAL POSITION

May 31, 2001 and 2000

4. PROPERTY AND EQUIPMENT

			2001	2000
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Building and improvements				
Winnipeg Stadium	12,497,614	4,842,889	7,654,725	7,756,386
Winnipeg Arena	10,176,077	3,922,930	6,253,147	6,425,564
Blue and Gold Room	146,615	25,981	120,634	106,787
	22,820,306	8,791,800	14,028,506	14,288,737
Equipment and small tools	2,361,600	1,250,515	1,111,085	1,114,064
Computer hardware	1,100,287	922,047	178,240	232,558
	26,282,193	10,964,362	15,317,831	15,635,359

5. BANK DEBT

	2001	2000
	\$	\$
Demand loan (Credit facility B); bearing interest at 7.21% per annum until May 31, 2004, after which, bears interest at prime; repayable in blended monthly installments of \$31,634	2,801,225	2,972,003
Demand loan (Credit facility C); bearing variable interest at Canadian Bankers' acceptance rates until May 31, 2014, after which, bears interest at prime; repayable in quarterly installments of \$70,833 plus interest	3,683,333	3,966,667
Demand loan (Credit facility D); bearing interest at 7.24% per annum until October 21, 2009, after which, bears interest at prime plus 0.25%; repayable in blended monthly installments of \$11,735; secured by a specific fixed charge on certain equipment	885,894	959,600
	7,370,452	7,898,270
Less: current portion	(546,245)	(521,157)
	6,824,207	7,377,113

As at November 19, 2001, the Bank has agreed that it is not their intention to demand repayment of the bank debt under credit facilities B, C and D provided the Corporation continues to maintain regular payments as stipulated in their respective agreements and the Corporation continues to operate within the terms of their credit. As such, the bank debt facilities have been classified as long-term.

Credit facilities B and C are secured by a limited guarantee from the City of Winnipeg of \$7,650,000 and assignment of fire insurance.

Winnipeg Enterprises Corporation

NOTES TO STATEMENTS OF FINANCIAL POSITION

May 31, 2001 and 2000

5. BANK DEBT (continued)

The Corporation has an additional credit facility agreement (Credit facility A) with the Canadian Imperial Bank of Commerce to borrow by means of an operating line to a maximum of \$1,000,000. The operating line is due on demand, bears interest at prime and is secured by an assignment of fire insurance. As at May 31, 2001, the balance of the operating line was nil.

At May 30, 2001, interest rates on \$3,683,333 of bank debt under credit facility C were fixed by means of an interest rate swap at an average rate of 5.94%, inclusive of a stamping fee.

Unless demanded under the terms of the agreements above, scheduled principal repayments on bank debt over the next five years are estimated to be as follows:

2002	\$ 546,245
2003	565,866
2004	586,950
2005	609,607
2006	633,957
Thereafter	<u>4,427,827</u>
	<u>\$ 7,370,452</u>

6. COMMITMENTS

a) Land lease

The Corporation has entered into three separate land lease agreements with the City of Winnipeg for the stadium and arena expiring December 31, 2017. Lease payments under the terms of the separate agreements are \$1 per annum.

b) Winnipeg Football Club

Under a grant agreement signed April 18, 2000, the Corporation has committed to provide up to \$1,266,668 to the WFC by means of a staged grant, contingent upon the WFC meeting certain benchmark requirements based on external funding generated. Subsequent to year end, the Corporation granted \$500,000 to the WFC by means of debt forgiveness for which the principle plus accrued interest (\$522,861) was provided in the 2000 statement of operations. In addition, the WFC met requirements under the terms of the agreement for a grant of \$125,000.

Winnipeg Enterprises Corporation

NOTES TO STATEMENTS OF FINANCIAL POSITION

May 31, 2001 and 2000

6. COMMITMENTS (continued)

c) Operating leases

The Corporation has entered into various operating leases. The future minimum lease payments under these operating leases for the next five years are as follows:

2002	\$	186,042
2003	\$	129,779
2004	\$	85,203
2005	\$	18,471
2006	\$	9,037

Certain of the operating leases are subject to renewal over the next five years under the terms of the various related contracts.

d) Food/banquet services agreement

The Corporation entered into a food/banquet services agreement dated October 1, 1996 and ending September 30, 2002, with an option to renew for an additional six years. The agreement requires the Corporation to pay certain fees subject to certain terms and conditions.

In addition, under the terms of the agreement the service provider has provided the Corporation with the use of certain equipment totalling \$750,000. If the Corporation does not renew its commitment under the terms of the extension option or terminates the agreement at any time, the Corporation is required to purchase the equipment at the remaining undepreciated balance of the \$750,000 amortized over 10 years using the straight-line method. As at May 31, 2001, the undepreciated balance is \$425,000.

e) Internally restricted net assets

In 2001, the Corporation's Board of Directors internally restricted \$450,000 of unrestricted net assets to be used for known future commitments. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

7. COMPARATIVE FIGURES

Certain of the 2000 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2001.