



December 17, 2010
VANOC Annual Report

Consolidated Financial Statements

Vancouver Organizing Committee for the
2010 Olympic and Paralympic Winter Games

*For the cumulative period from September 30, 2003
(incorporation) to July 31, 2010*

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MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

On July 2, 2003, the City of Vancouver was awarded the right to host the 2010 Olympic and Paralympic Winter Games (the “Games”) by the International Olympic Committee (“IOC”) based in part on the efforts of the Vancouver 2010 Bid Corporation (the “Bid Corporation”). The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (“VANOC”) was organized as a not-for-profit company without share capital under Part II of the Canada Corporations Act on September 30, 2003 and registered extra-provincially under the BC Society Act. VANOC is exempt from income taxes under the Income Tax Act (Canada).

VANOC’s mandate was to support and promote the development of sport in Canada by planning, organizing, financing and staging the Games.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis refers to the discussion and analysis of VANOC’s operating revenues and expenses, venue development activities and financial position. The figures are expressed in Canadian dollars, unless otherwise indicated. This section should be read in conjunction with the audited consolidated financial statements of VANOC for the cumulative period from September 30, 2003 (incorporation) to July 31, 2010, also included in this report. These Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

This Management Discussion and Analysis contains historical information, descriptions of current circumstances and a limited forward-looking commentary, including statements regarding the business and future financial performance of VANOC. The forward-looking commentary depends on certain assumptions and is subject to some risks. As the 2010 Games are now complete and the organization is being wound up, it is expected that this will be the final financial report issued by VANOC.

The results of operating and venue development activities included in this discussion and analysis are presented for the cumulative period from September 30, 2003 (incorporation) to July 31, 2010.

The following discussion and analysis comprises seven sections:

1. Introduction
2. Operating Activities
3. Venue Development Activities
4. Liquidity, Capital Resources and Financial Condition
5. Financial Instruments and Foreign Currency Management
6. Financial Outlook and Risks
7. Transactions with Related Parties

1. INTRODUCTION

These financial statements present the results of operations from VANOC's incorporation as of September 30, 2003 through to July 31, 2010. This period is referred to as "the Project". The Games were held in February and March, 2010. These statements reflect all activity attributable to the organization and hosting of the Games. There are some activities related to the winding up of VANOC that are left to be completed, these are discussed in the financial outlook section of this report. As these statements include all material transactions associated with the Games, they are expected to be the final publicly released financial statements.

Hosting the Olympic and Paralympic Winter Games is a massive operational and logistical challenge due to its size, complexity and large number of stakeholders. It is also an immense financial challenge to achieve a balanced budget not only for these reasons but also due to the financial estimates and assumptions that were made over such a long period of time which are inherent in any project of this scale and duration. In the preparation for the Games, financial challenges were heightened by the worldwide economic crisis in the fall of 2008. VANOC's financial objective over its lifespan has been to manage its financial affairs in a prudent and responsible fashion. The onset of the financial crisis required VANOC, like governments, corporations and individuals all over the world, to adjust and adapt its plans to deliver the Games within the resources available. This financial report reflects that VANOC's objective of balancing revenue and expenditures has been achieved.

2. OPERATING ACTIVITIES

The consolidated Statement of Operating Activities shows the Project's results. This statement shows a break even position where there is no excess or deficiency of operating revenues over operating expenses. This break even position reflects that certain of VANOC's revenues, namely the final portion of the IOC contribution, were recognized and received only as required to cover expenditures.

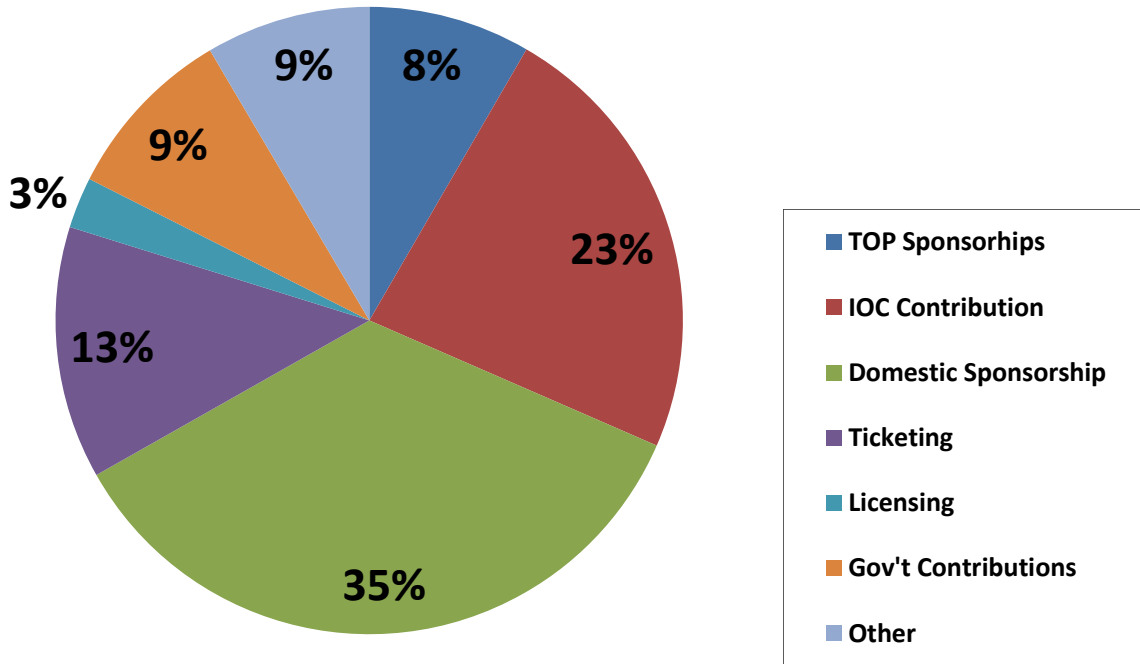
Operating revenues

The Project's operating revenues totaled \$1,884.1 million and were comprised of the IOC contribution of \$479.7 million, IOC international sponsorship revenue of \$173.5 million, domestic sponsorship revenue of \$730.2 million, ticketing revenue of \$269.5 million, licensing and merchandising revenue of \$54.6 million, Government contributions of \$187.8 million and other revenue of \$175.6 million, less marketing rights royalties of \$186.8 million.

The mix of revenues shown in the following chart confirms the extraordinary level of private sector support for the Games as indicated by the levels of domestic and international sponsorship, the IOC contribution, licensing, ticketing and other programs. Government contributions from Canada and BC to operating activities accounted for 9% of revenues while 91% of revenues came from other sources.

Further details on the commercial revenue program of the 2010 Games can be found in the IOC's 2010 Marketing report at www.olympic.org

These revenues are shown in the following graph:



IOC contribution

The IOC contribution for the period totaled \$479.7 million and was based on commitments made in the Host City Contract and subsequent agreements. In addition, a further \$5.9 million of IOC contributions has been deferred until required in subsequent periods and is reflected in these financial statements as Deferred IOC contribution. The amounts were paid in a combination of CAD, USD and Euros over the course of the Project. Subsequent to the year ended July 31, 2010, the IOC paid all but \$3.3 million of its commitment to VANOC.

IOC international sponsorship

VANOC received a portion of the proceeds the IOC collects under its international sponsorship program known as TOP (The Olympic Partners). There were nine TOP partners for the 2010 Games. These included Atos Origin, Omega, General Electric, McDonalds, Panasonic, Samsung, Coca Cola, Visa and Acer. Total IOC international sponsorship revenues recognized in both the Operating and Venue Development funds are as follows:

	Project to date (\$ millions)
Cash	\$36.500
VIK	<u>\$138.472</u>
Total IOC International Sponsorship	<u>\$174.972</u>

Domestic sponsorship

VANOC developed a domestic sponsorship program that provided the organization with a combination of cash and VIK in return for certain marketing rights related to the Games and the Canadian Olympic Team provided to sponsors through to the end of 2012.

VANOC's sponsorship program included the following corporations:

Premier National Partners

Bell Canada
Hudson's Bay Company
Royal Bank of Canada

National Partners

General Motors Canada
Petro-Canada
Rona

Official Supporters

Air Canada	BC Hydro
Bombardier	BC Lotteries Corporation
Canadian Pacific	ICBC
JetSet Sports	Ricoh
Royal Canadian Mint	Teck

Official Suppliers

3M Canada	Acklands Granger	Aggreko
Alda Pharmaceuticals	Aquilini Investment Group	Avaya
Birks	Britco Structures	Canada Post
COLD-FX	Concord Pacific Developments	CTV
Deloitte	Dow Canada	Epcor
Garrett Metal Detectors	General Mills	Hain Celestial
Haworth	Jackson-Triggs	Karl's Global Events
Millenium	Molson Coors	Nike
Nortel	Offsetters	Port Metro Vancouver
Purolator	Saputo	Sleep Country Canada
SNC-Lavalin	Sun Microsystems	Tickets.com
Transcanada	Vancouver Airport Authority	Weston Bakeries
Workopolis	Wrigley	

Print media suppliers

Canwest	The Globe and Mail	La Presse
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Total Domestic sponsorship revenues recognized in both the Operating and Venue Development funds are as follows:

	Project to Date (\$ millions)
Cash	\$431.427
VIK	<u>\$309.122</u>
Total Domestic Sponsorship	<u>\$740.549</u>

Marketing Rights Royalties

Under the terms of the Host City Contract and Marketing Plan Agreement with the IOC and the Joint Marketing Plan Agreement with the COC, VANOC was required to pay a portion of its marketing revenues to these entities. Royalties relate to sponsorship, ticketing and licensing revenue received by VANOC. Marketing royalties totaled \$186.8 million.

Ticketing Revenue

In total, 1.54 million tickets were available for sale for the Olympic Winter Games and over 97% of these tickets were sold. Of the total sold, 71% of the tickets were sold in Canada with the remaining being purchased by Sponsors and Broadcasters, international attendees, and the IOC and International Sport Federations. In addition, 230,000 tickets were sold for the Paralympic Winter Games.

Total Ticket revenues were as follows:

	Project to date (\$ millions)
Olympic Winter Games	\$260.336
Paralympic Winter Games	\$5.574
Cultural Olympiad	\$2.135
Pre-Games Sport events	<u>\$1.414</u>
Total Ticketing revenue	<u>\$269.459</u>

Of the Olympic ticket sales, a total of 642,223 tickets were sold for men's and women's Ice Hockey generating \$111.9 million. 87,769 tickets were sold for the Olympic Opening and Closing Ceremonies, generating \$61.5 million. 296,489 tickets were sold or provided for Victory ceremonies in Vancouver and Whistler. The average price of a ticket sold for Olympic Winter Games sporting competitions was \$139.

Licensing and Merchandising Revenue

Licensing and merchandising revenue totaled \$54.6 million. VANOC's licensing program comprised of 48 licensees selling a very wide range of products including clothing, souvenirs, plush toys and, of course, Red Mittens. In addition, the Royal Canadian Mint and Canada Post developed numismatic and philately programs, respectively and VANOC developed a joint licensing program with the Four Host First Nations.

Government Revenue

British Columbia and Canada were key partners of the Games and contributed a total of \$187.8 million towards operating activities. The majority of the contributions were earmarked for specific elements of the Project such as the Paralympic Games, Opening Ceremonies, Torch Relay, and Medical Services.

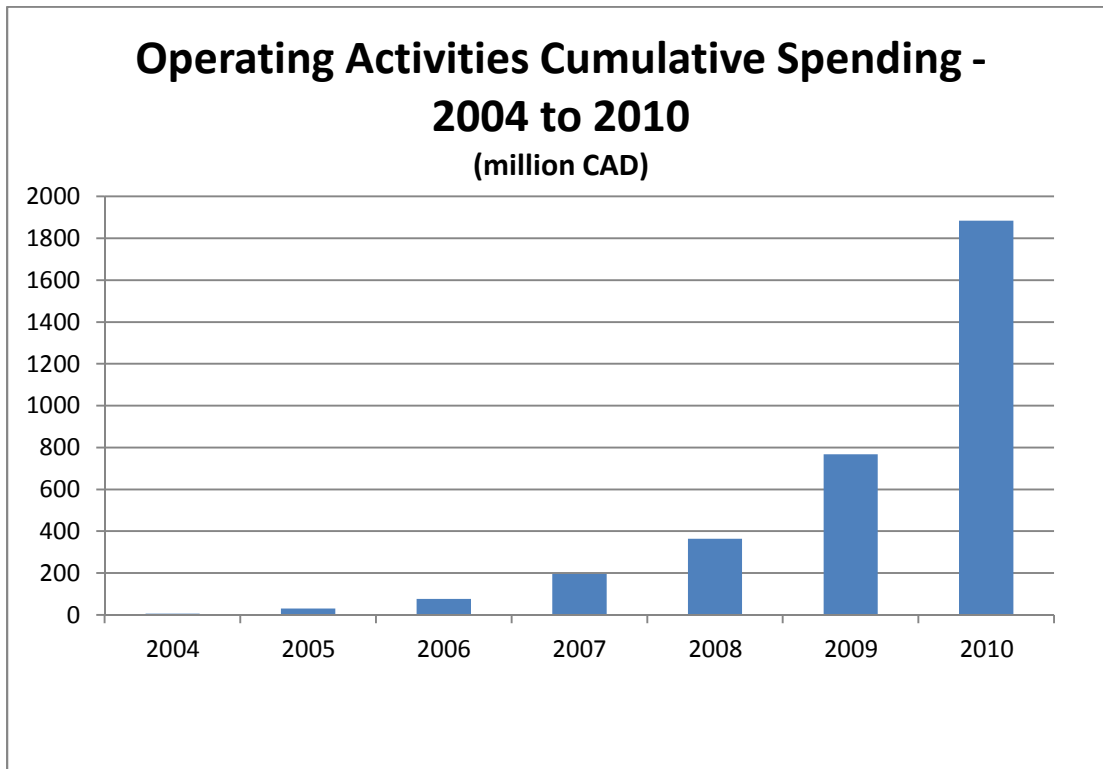
Other Revenue

Other revenue totaled \$175.6 million. In an effort to maximize revenue generation to fund operations and to comply with operational and Host City Contract requirements, a number of other programs were developed and delivered. These included pre-Games events and operations, the Rate Card rental program, 2010 Club, asset disposal, advertising, accommodation booking services, ticket-holder bus transportation and others.

Operating Expenses

Operating expenses Project to date totaled \$1,884.1 million.

Compensation costs totaled \$308.3 million across the organization for the duration of the Project and are embedded in the costs of each division.



VANOC's affairs were reported in six divisions throughout the life of the organization, generally reflecting the internal organization of VANOC.

Revenue, marketing and communications

Expenses totaled \$167.7 million for Revenue, marketing and communications. This division included the delivery of sponsorship sales and service activities, the Olympic and Paralympic torch relays, the licensing program, media relations, editorial services, communications events, brand and creative services, ticketing, and brand protection.

The most significant elements of spending in the division included:

- Commercial rights management - \$44.9 million, primarily for the acquisition of out-of-home advertising space which was sold to Games partners
- Torch relays - \$35.0 million

Staffing costs included in this division totaled \$43.6 million.

Sport and games operations

Expenses for Sport and games operations totaled \$288.0 million. This division was responsible for the delivery of the sporting competitions, venue management, medical and anti-doping and certain other services.

The most significant elements of spending in the division included:

- The Venue management function included all costs associated with the pre-Games sport event program, venue use agreements, including make-whole agreements for Whistler Mountain and Cypress Mountain, venue utilities, venue remediation, staff and the unplanned costs associated with the no-snow scenario at Cypress Mountain. Approximately \$5 million was spent on ensuring that there was sufficient snow to conduct the competitions at Cypress. The total cost of venue management operations was \$141.0 million.
- The costs of the Sport function totaled \$80.0 million and included the cost of pre-Games operation of the Whistler Nordic Centre and Whistler Sliding Centre (\$16.4 million), the cost of planning and conducting all sporting competitions, sport and training equipment, ice cleaning and snow moving machines, weather services, sport production at venues and at the Whistler Celebrations Plaza and staffing costs.
- The delivery of the medical services required for the Games cost \$20.4 million.

Staffing costs included in this division totaled \$46.5 million.

Service and games operations

Expenses for the Services and games operations totaled \$723.0. This division was responsible for the delivery of the majority of centralized and support services required for the Games including the overlay program, food and beverage services, Olympic and Paralympic villages, accommodation services, transportation, logistics, snow removal, cleaning and waste services, ceremonies and the cultural Olympiad, press and broadcast services and property rentals.

The most significant elements of spending in the division included:

- Games overlay includes the provision of all temporary infrastructure required for the games such as seating (\$13.4 million), fencing (\$3.9 million), tents and trailers (\$38.5 million), lighting (\$9.1 million), scaffolding and rigging (\$7.5 million), site adaptation (\$24.3 million), signage, cable management, engineering services, staffing and other costs. Overlay costs totaled \$135.4 million.
- Olympic and Paralympic villages operations totaled \$56.1 million and included site adaptation (\$12.2 million), furnishings and soft goods (\$7.5 million), food service (\$17.7 million), custodial services, retail and recreational services, staffing and other costs.
- The Accommodation function was responsible for delivering accommodation services to the Olympic family on a pay-for-use basis as well as providing considerable levels of accommodation for workforce in both Vancouver and the Whistler region. Of the \$58.0 million spent by the function, \$42.2 million was spent to provide accommodation to workforce in a combination of ships, university residences, condominiums, hotels and camps.
- VANOC's transportation department delivered transportation for athletes, spectators, media, broadcasters, sponsors and other client groups. Service was provided through a combination of buses and sponsor vehicles. Total spending for the function was \$173.5 million and was comprised of the bus systems (bus rental, management, drivers, fuel - \$92.6 million), the vehicle fleet (\$43.0 million), parking and properties (\$12.3 million), staffing and other costs.
- The logistics function provided warehousing, materials acquisition, handling and delivery services. Total spending for the function was \$37.0 million and consisted of warehouse facility costs (\$11.7 million), furniture, fixtures and equipment and staffing/labour costs.
- The cultural Olympiad incurred expenses of \$29.3 million to deliver the entire multi-year program.
- Total ceremonies costs were \$79.1 million for the Olympic Opening and Closing ceremonies and Paralympic opening and closing ceremonies, as well as victory ceremony costs in Vancouver.
- Government service integration was charged with obtaining use of a multitude of properties required for Games use. Spending totaled \$45.4 million

Staffing costs included in this division totaled \$86.3 million.

Technology

Total expenditures for the division were \$452.4 million. The technology division delivered the infrastructure and services to support the Games including energy services, timing and scoring, Games management systems, internet services, broadcast integration services, telecommunications and ongoing network services. The majority of costs were VIK, delivered by key Games sponsors.

The most significant elements of spending in the division included:

- Energy services, totaling \$80.1 million included temporary power (\$43.0 million) on generators, distribution, and engineering, shore power and services (\$18.7 million) and equipment, services and site works and staffing.

- Timing, scoring and results systems and services cost \$70.7 million while telecom services cost \$80.0 million. Games management systems and system integration cost \$102.3 million. Venue technology, including AV services cost \$19.9 million while hardware and IT systems totaled \$59.6 million.

Staffing costs included in this division totaled \$31.0 million.

Workforce and sustainability

Total expenses were \$130.0 million with the large majority of costs attached to workforce and human resources. The Workforce and sustainability division provided all centralized human resources and workforce services, including workforce uniforms as well as the sustainability and aboriginal participation programs.

Staffing costs included in this division totaled \$51.4 million.

Finance

Total expenses for Finance were \$115.1 million. The Finance division includes many support functions relating to management of the Project, including administration, legal services, risk and assurance and financial services. It also includes costs attributable to the dissolution of VANOC.

Office administration provided all necessary office space, equipment and furnishings and supplies for a total cost of \$35.9 million.

Staffing costs included in this division totaled \$39.6 million.

Foreign exchange loss, net

VANOC followed a program of hedging to manage its exposure to the impacts of changes in foreign currency exchange rates. Known receipts or expenditures in USD, Euros and Swiss Francs were hedged through the use of forward contracts. VANOC did not conduct any foreign currency transactions for speculative purposes. The net foreign exchange loss of \$8.0 million reflects the difference between the Canadian dollar amounts of foreign currency transactions at the time of the transaction and relevant hedged values.

3. VENUE DEVELOPMENT ACTIVITIES

As planned, all competition and non-competition venues were completed and “competition ready” prior to the Games. Subsequent to the Games, venues have been returned to their legacy owners for future operations. The financial report for the venue development program reflects a program completed on time and on budget.

Revenues

Revenues related to venue development totaled \$603.3 million. As planned during the bid phase, the venue program was funded primarily by British Columbia and Canada in a 50/50 partnership, with each party contributing \$290.0 million. In addition certain other revenues were generated through sponsorship and other means. All revenues associated with the venue program have been received.

Expenses

Expenses related to venue development totaled \$603.3 million. Games venue development costs include payments for the direct construction of venues by VANOC, payments to partners who had accepted responsibility for construction and payments for major upgrades to existing venues.

4. LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

The Games were financed by revenues from sponsorships, IOC contributions, ticketing and other sources related to the marketing and merchandising of the Games. VANOC’s venue development activities were financed by contributions from Canada and BC. Working capital requirements were financed from time to time through term credit facilities.

As at July 31, 2010, VANOC had cash and restricted cash balances of \$2.8 million and \$13.3 million, respectively, and \$27.9 million drawn against the credit facility provided by a Canadian chartered bank. The existing term credit facilities are repayable no later than December 31, 2010. Subsequent to the year end, the credit facility has been repaid in full.

With the Games now complete and the vast majority of revenues received, VANOC’s capital requirements are much more limited. Management believes that cash resources currently available will be sufficient to meet VANOC’s needs through to final dissolution.

5. FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY MANAGEMENT

VANOC’s financial instruments consist of cash, restricted cash, other receivables, IOC receivable, refundable deposits, term credit facilities, accounts payable and accrued liabilities and deferred IOC contribution. The fair values of these financial instruments approximate their carrying values. VANOC’s interest rate and credit risk on these instruments is considered to be minimal.

VANOC received a significant portion of its revenues related to broadcasting and certain other sources in foreign currencies, primarily the US dollar and the Euro. Likewise, VANOC paid significant expenses to foreign suppliers in US dollars and Euros. VANOC’s policy has been to manage its known net foreign currency cash inflows and outflows with a primary objective to protect against changes in foreign exchange rates relative to these foreign currencies. VANOC does not enter into derivative transactions for speculative or trading purposes.

As at July 31, 2010 VANOC has no open forward foreign exchange contracts, nor does it expect any significant future transactions in foreign currencies.

6. FINANCIAL OUTLOOK AND RISKS

The financial statements at July 31, 2010 reflect the large majority of activity required for VANOC to meet its purpose of planning, organizing, financing and staging the Games. The only activity remaining is to settle claims, complete some venue remediation, collect accounts owing and legally dissolve the organization. As the Games are now complete, the majority of risks faced by VANOC have been resolved. VANOC is entering the final months of its dissolution phase. Given the nature of the project and the fact that the Games are now complete, VANOC faces minimal risks associated with the staging of the Games.

VANOC's remaining financial risk relates primarily to collection risk associated with accounts receivable and the resolution of all final contingencies and commitments that relate to certain claims outstanding that have arisen in the normal course of operations from hosting of the Games. As noted in notes 5 and 6 to the financial statements, the majority of receivables at July 31, 2010 have been received. The remaining commitments and contingencies are described in note 11 to the financial statements.

Management believes that VANOC will be able to extinguish its remaining debts from the financial resources available.

7. TRANSACTIONS WITH RELATED PARTIES

VANOC is a party to the Multiparty Agreement and its Board of Directors includes persons appointed by Canada, British Columbia, the Resort Municipality of Whistler (RMOW), the City of Vancouver, the Canadian Paralympic Committee and the Canadian Olympic Committee. As well, the Lil'wat and Squamish First Nations act together to appoint a person to the VANOC Board of Directors. VANOC considers certain of these parties to be related for financial statement purposes, and, from time to time in the normal course of operations VANOC entered into transactions with these parties. Refer to note 10 of the Financial Statements for discussion of related party transactions.

Consolidated Financial Statements

**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games**

July 31, 2010

AUDITORS' REPORT

To the Board of Directors of the
**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games**

We have audited the consolidated statement of financial position of the **Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games** ["VANOC"] as at July 31, 2010 and the consolidated statement of operating activities and changes in fund balance, the consolidated statement of venue development activities and changes in fund balance and the consolidated statement of cash flows for the cumulative period from September 30, 2003 (incorporation) to July 31, 2010. These financial statements are the responsibility of VANOC's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of VANOC as at July 31, 2010 and the results of its operating and venue development activities and its cash flows for the cumulative period from September 30, 2003 (incorporation) to July 31, 2010 in accordance with Canadian generally accepted accounting principles.



Vancouver, Canada,
December 14, 2010.

Chartered Accountants

**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games**

**CONSOLIDATED
STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

	July 31, 2010
	\$
ASSETS <i>[note 7]</i>	
Cash	2,828
Restricted cash <i>[note 4]</i>	13,315
Other receivables <i>[notes 5 and 10]</i>	39,815
IOC receivable <i>[note 6]</i>	33,343
Refundable deposits	1,249
Total assets	90,550
LIABILITIES AND FUND BALANCE	
Term credit facilities <i>[note 7]</i>	27,938
Accounts payable and accrued liabilities <i>[notes 9, 10, and 11]</i>	56,697
Deferred IOC contribution <i>[note 6]</i>	5,865
Total liabilities	90,500
Commitments, contingencies and guarantees <i>[note 11]</i>	
Fund balance	
Operating fund	—
Venue development fund	50
Total liabilities and fund balance	90,550

See accompanying notes

Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games

**CONSOLIDATED
STATEMENT OF OPERATING ACTIVITIES
AND CHANGES IN FUND BALANCE**

(in thousands of dollars)

	Cumulative period from September 30, 2003 (incorporation) to July 31, 2010 \$
OPERATING REVENUES	
IOC contribution <i>[note 6]</i>	479,742
IOC international sponsorship <i>[note 8]</i>	173,558
Domestic sponsorship <i>[note 8]</i>	730,157
Marketing rights royalties <i>[note 9]</i>	(186,759)
Ticketing	269,459
Licensing and merchandising	54,618
Government contributions	
Canada	74,401
British Columbia	113,395
Other	175,558
Total operating revenues	1,884,129
OPERATING EXPENSES	
Revenue, marketing and communications	167,704
Sport and games operations	287,972
Services and games operations	723,043
Technology	452,425
Workforce and sustainability	129,954
Finance	115,074
	1,876,172
Foreign exchange loss, net	7,957
Total operating expenses	1,884,129
Excess of operating revenue over expenses for the period	—
Operating fund, beginning of period	—
Operating fund, end of period	—

See accompanying notes

Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games

**CONSOLIDATED
STATEMENT OF VENUE DEVELOPMENT
ACTIVITIES AND CHANGES IN FUND BALANCE**

(in thousands of dollars)

	Cumulative period from September 30, 2003 (incorporation) to July 31, 2010 \$
REVENUES	
Government contributions	
Canada	290,000
British Columbia	290,000
Sponsorship revenues [note 8]	11,806
Interest and other	11,515
Total venue development revenues	603,321
EXPENSES	
Cypress Mountain	17,597
Vancouver Olympic/Paralympic Centre	41,386
Pacific Coliseum	18,920
Richmond Olympic Oval	63,679
Training Venues	5,200
UBC Thunderbird Arena	38,216
Olympic and Paralympic Village Vancouver	30,000
Whistler Athletes' Centre	57,809
Whistler Media Centre	3,000
Whistler Creekside	31,312
Whistler Olympic/Paralympic Park	122,467
Olympic and Paralympic Village Whistler	37,500
The Whistler Sliding Centre	104,928
BC Place	12,094
General	15,654
	599,762
Interest and carrying charges	3,509
Total venue development expenses	603,271
Excess of venue development revenues over expenses for the period	50
Venue development fund, beginning of period	—
Venue development fund, end of period	50

See accompanying notes

Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC)
Comité d'Organisation des Jeux Olympiques et Paralympiques d'hiver de 2010 à Vancouver (COVAN)

**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games**

**CONSOLIDATED
STATEMENT OF CASH FLOWS**

(in thousands of dollars)

	Cumulative period from September 30, 2003 (incorporation) to July 31, 2010 \$
OPERATING AND VENUE DEVELOPMENT ACTIVITIES	
Excess of operating revenues over expenses for the period	—
Excess of venue development revenues over expenses for the period	50
Changes in operating assets and liabilities:	
Increase in restricted cash	(13,315)
Other receivables	(39,815)
IOC receivable	(33,343)
Refundable deposits	(1,249)
Accounts payable and accrued liabilities	56,697
Deferred IOC contribution	5,865
Cash used in operating activities and venue development activities	(25,110)
FINANCING ACTIVITIES	
Borrowings under the term credit facilities	27,938
Cash provided by financing activities	27,938
Net increase in cash for the period	2,828
Cash, beginning of period	—
Cash, end of period	2,828
Supplementary information	
Interest paid in cash	7,412

See accompanying notes

**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****July 31, 2010**

(in thousands of Canadian dollars, except where indicated)

1. ORGANIZATION

On July 2, 2003, the City of Vancouver, British Columbia ["BC"], Canada, was awarded the right to host the 2010 Olympic and Paralympic Winter Games [the "Games"] by the International Olympic Committee ["IOC"] based in part upon the efforts of the Vancouver 2010 Bid Corporation. The 2010 Olympic Winter Games were staged in Vancouver and Whistler from February 12 to 28, 2010. Vancouver and Whistler hosted the Paralympic Winter Games from March 12 to 21, 2010.

The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ["VANOC"] was incorporated without share capital under Part II of the Canada Corporations Act on September 30, 2003 and is registered extra-provincially under the BC Society Act. VANOC is exempt from income taxes under the Income Tax Act (Canada).

VANOC is governed by a Board of Directors consisting of 20 members. Of these 20 members, 7 are appointed by the Canadian Olympic Committee ["COC"]; 1 by the Canadian Paralympic Committee ["CPC"]; 3 by BC; 3 by Canada; 2 by the City of Vancouver ["COV"]; 2 by the Resort Municipality of Whistler ["RMOW"]; 1 by the Squamish and Lil'wat First Nations acting together; and 1 by the vote of the other 19 members.

VANOC's purpose was to plan, organize, finance and stage the Games. VANOC, the COC and the COV are party to the Host City Contract with the IOC, which details the responsibilities of the COC, the COV and VANOC in relation to the Games and the distribution of revenues and royalties related to the Games. Under the terms of the Host City Contract, if, after all revenue is received by VANOC and all expenses of VANOC are paid, an operating surplus exists, such surplus shall be divided as follows: 20% to the COC; 20% to the IOC; 10% to the CPC and 50% to the Amateur Sport Legacy Fund, which is for the general benefit of sport in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles in Canadian dollars, applied within the framework of the significant accounting policies summarized below:

Fund accounting

The financial statements have been prepared in accordance with the principles of fund accounting.

**Vancouver Organizing Committee for the 2010
Olympic and Paralympic Winter Games****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****July 31, 2010**

(in thousands of Canadian dollars, except where indicated)

Venue development fund

VANOC's responsibility was to ensure that the Olympic and Paralympic venues ["Games Venues"] were available and met specified standards for use during the Games. VANOC entered into various agreements regarding the development and use of the required Games Venues. VANOC is not responsible for and has no ownership interest in these Games Venues post games.

The Venue Development Fund was used to record the receipt and use of resources that were designated for the development of the Games Venues. Restricted contributions related to venue development activities have been recognized as revenue of the Venue Development Fund in the period received or receivable. Investment income earned on assets held in the Venue Development Fund has been recorded as revenue of this fund as earned. All expenditures relating to venue development have been expensed as incurred.

Operating fund

Revenues and expenses of VANOC not related to venue development activity have been recorded in the Operating Fund. Restricted contributions for expenses of future periods have been deferred and will be recognized in the Operating Fund as revenue in the same period the related expenses are recognized.

Operating revenues

Operating revenues consist of IOC contributions, IOC international sponsorship, domestic sponsorship, ticketing, licensing and merchandising, government contributions and other revenues. All revenues received in cash are recognized in the period received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Value in kind ["VIK"] revenues are recognized at the equivalent amount of VIK goods and services expensed. VIK goods and services that are sold by VANOC to a third party are recorded in the financial statements at the exchange amount in the period received or receivable.

VIK goods and services

VIK goods and services that are acquired by VANOC under international or domestic sponsorship arrangements or are donated to VANOC for no consideration are recognized in the financial statements when a fair value can be reasonably estimated and when the goods and services are consumed by VANOC in the normal course of operations and would otherwise have been purchased.

Volunteers contributed an undeterminable number of hours. Because of the difficulty in determining their fair value, volunteer services have not been recognized in the financial statements.

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Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts were utilized by VANOC to manage its exposure to foreign currency exchange rate movements on expected future cash inflows from IOC contributions and IOC international sponsorship and outflows to foreign suppliers. VANOC did not enter into derivative transactions for speculative or trading purposes. VANOC accounts for its derivative financial instruments in accordance with the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. The net foreign exchange loss realized on VANOC's derivative financial instruments has been recorded in the Operating Fund. VANOC did not have any outstanding forward foreign exchange contracts at July 31, 2010.

Financial instruments

VANOC has elected to continue to apply the disclosure requirements outlined in CICA Section 3861, *Financial Instruments - Disclosure and Presentation* in place of Section 3862, *Financial Instruments - Disclosures* and CICA Section 3863, *Financial Instruments - Presentation*.

VANOC's financial instruments have been classified as follows: cash, restricted cash, other receivables, IOC receivable and refundable deposits have been classified as loans and receivables. Accounts payable and accrued liabilities and the term credit facilities have been classified as other financial liabilities. Unless otherwise noted, it is management's opinion that VANOC is not exposed to significant interest or credit risks arising from these financial instruments.

Asset disposal

In staging the Games, VANOC acquired a significant quantity and value of assets. These assets included, but were not limited to, assets that were owned, donated and/or fabricated. The proceeds upon disposition of these assets are recorded in the period when the proceeds are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. As at July 31, 2010, VANOC had no ownership of any property and equipment or other Games-related assets.

Business combinations

On April 30, 2010 VANOC purchased 100% of the share capital of David Atkins Enterprise Productions Canada Ltd ["DAEP"] from David Atkins Enterprises PTY. Ltd. for consideration of ten dollars. DAEP was responsible for the production and execution of the opening and closing ceremonies held on February 12 and 28, 2010, respectively.

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VANOC consolidates the accounts of DAEP. The fair value of the net assets acquired of DAEP, which consisted solely of working capital balances, have been included in the consolidated balance sheet of VANOC as of April 30, 2010, and its nominal operating results have been included in the consolidated statement of operating activities of VANOC since that date.

On completion of the acquisition, DAEP changed its name to 0815308 B.C. Ltd.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable; however, actual results could differ from those estimates.

3. CAPITAL DISCLOSURES

Capital management is an organization's objective for managing its cash flows in order to meet its organizational objectives for operating, investing and financing activities. VANOC's capital management objectives are to have sufficient capital resources to finance its future operations through to dissolution. In order to fulfill these objectives, VANOC maintains cash deposits and, as needed, draws on its available term credit facilities.

VANOC has secured sufficient credit facilities in order to finance its post-Games operations through to dissolution as disclosed in note 7.

As at July 31, 2010, VANOC has met its capital management objectives.

4. RESTRICTED CASH

Included in restricted cash are amounts related to restricted lien holdbacks under venue construction contracts, a letter of guarantee with a Canadian bank, and an amount set aside under an arbitration order.

Subsequent to July 31, 2010, all restricted cash amounts were released.

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5. OTHER RECEIVABLES

Included in other receivables at July 31, 2010 is \$7,158 from BC for contributions to operating revenues, \$12,904 related to GST/HST input tax credits, and \$19,753 in sponsorship, licensing and other receivables.

Subsequent to July 31, 2010, VANOC has received \$7,158 from BC, \$12,904 against its GST/HST receivable, and \$17,451 relating to sponsorship, licensing and other receivables.

6. IOC CONTRIBUTION

Pursuant to the Host City Contract, the IOC provides contributions to VANOC as consideration for VANOC's role in planning, organizing and staging the Games. At July 31, 2010, \$33,343 is receivable from the IOC, \$5,865 of which is intended for VANOC's dissolution expenses subsequent to July 31, 2010 and has been recorded on the consolidated statement of financial position as a deferred IOC contribution as at July 31, 2010.

Subsequent to July 31, 2010, VANOC received \$29,993 from the IOC.

7. TERM CREDIT FACILITIES

VANOC has term credit facilities to provide working capital and funds for general operating requirements. The facilities consist of revolving prime rate loans, letters of credit and letters of indemnity. The maximum available credit under the facilities is \$59,500 as at July 31, 2010. The credit facilities expire and are repayable in full on December 31, 2010.

As of July 31, 2010, \$27,938 is drawn represented by prime rate loans at a rate of 10 basis points per annum below the bank's prime rate. The prime rate at July 31, 2010 was 2.75%.

All borrowings under the facilities are collateralized by a general security agreement constituting a first ranking security interest in all personal property of VANOC and an indemnity agreement.

Subsequent to July 31, 2010, VANOC repaid its term credit facilities in full.

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8. SPONSORSHIP REVENUES

The sponsorship revenues received by VANOC under its domestic sponsorship program and the IOC's international sponsorship program are as follows:

	Cumulative period from inception September 30, 2003 (incorporation) to July 31, 2010		
	Operating Fund \$	Venue Development Fund \$	Total \$
IOC international sponsorship			
Cash	36,500	-	36,500
VIK	137,058	1,414	138,472
	173,558	1,414	174,972
Domestic sponsorship			
Cash	431,427	-	431,427
VIK	298,730	10,392	309,122
	730,157	10,392	740,549
Total sponsorship revenues	903,715	11,806	915,521

9. MARKETING RIGHTS ROYALTIES

The marketing rights royalties recorded are as follows:

	Cumulative period from inception September 30, 2003 (incorporation) to July 31, 2010		
	Operating Fund \$	Venue Development Fund \$	Total \$
IOC marketing royalties [a]	73,573	574	74,147
COC marketing royalties [b]	108,658	1,342	110,000
IPC marketing royalties [c]	4,442	-	4,442
CPC marketing royalties	86	-	86
Total marketing royalties	186,759	1,916	188,675

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[a] Pursuant to the terms of the Host City Contract, VANOC is required to pay the IOC a 7.5% royalty on the value of any cash consideration received and a 5% royalty on any VIK contributions received pertaining to any element of commercial exploitation of VANOC's marketing rights. To date, VANOC has recorded royalties to the IOC in the amount of \$66,469 in respect of cash and VIK acquired, of which \$25,400 is payable at July 31, 2010.

Pursuant to the terms of the Marketing Plan Agreement between the IOC and VANOC, VANOC is required to pay the IOC a management fee calculated based on the value of any amounts received by VANOC under the IOC international sponsorship program. At July 31, 2010, VANOC had recorded \$7,678 in respect of management fees, of which \$3,608 is payable at July 31, 2010.

Subsequent to July 31, 2010, VANOC paid all marketing royalty amounts and management fees owing to the IOC.

[b] Pursuant to the Joint Marketing Programme Agreement ["JMPA"] between the Canadian Olympic Committee ["COC"] and VANOC, VANOC pays a 16% royalty on the value of cash consideration received and a 12% royalty on VIK contributions received pertaining to any commercial exploitation of VANOC's marketing rights to the COC. The royalties payable are subject to a minimum payment of \$73,500 to a maximum payment of \$110,000. At July 31, 2010 VANOC had paid a total of \$63,000 and accrued \$47,000 owing to the COC, the maximum amount owing under the JMPA. Subsequent to July 31, 2010, VANOC paid its obligation to the COC as disclosed in note 10[c].

[c] VANOC paid \$4,442 [\$4,000 USD] to the International Paralympic Committee ["IPC"] in exchange for all rights with respect to the domestic marketing and worldwide broadcasting and ticket sales programs related to the Paralympic Winter Games.

10. RELATED PARTY TRANSACTIONS

The following table summarizes the amounts owing to (from) VANOC's related parties as at July 31, 2010:

	Due to (from) related parties July 31, 2010 \$
RMOW [a]	(536)
COV [b]	(155)
COC [c]	8,056

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- [a] VANOC pays RMOW for site upgrades, transportation programs and venue construction contributions. To July 31, 2010, these payments amounted to \$46,763.

In connection with a cost sharing arrangement for the construction of the Whistler Athletes' Centre, the RMOW reimburses VANOC for certain expenses that VANOC pays on their behalf. These cost recoveries have been recorded on a net basis in the statement of venue development activities and represent the balance owing to VANOC at July 31, 2010. To July 31, 2010, RMOW reimbursed VANOC \$7,591 for certain expense that VANOC paid on their behalf.

- [b] VANOC has a lease agreement with the COV for its office space. VANOC is charged by the COV for office rent, operating expenses, permit charges and other miscellaneous expenses. To July 31, 2010, these payments amounted to \$13,599.

In addition, VANOC pays the COV under venue contribution agreements, construction charges and for certain consultants and contractors on secondment to VANOC. To July 31, 2010, these payments amounted to \$22,391.

In connection with a cost sharing arrangement for the construction of the Vancouver Olympic/Paralympic Centre, the COV reimburses VANOC for certain expenses that VANOC paid on their behalf. These cost recoveries have been recorded on a net basis in the statement of venue development activities and represent the balance owing to VANOC at July 31, 2010. To July 31, 2010, the COV reimbursed VANOC \$48,870 for certain expenses that VANOC paid on their behalf.

- [c] VANOC pays the COC marketing royalties under the JMPA and also sells certain VIK goods and services to the COC at fair value.

To July 31, 2010, VANOC had incurred \$110,000 of marketing royalties payable of which \$47,000 was accrued but unpaid [note 9[b]]. To July 31, 2010, VANOC had sales of \$4,631 of VIK goods and services to the COC, of which \$1,754 was receivable at July 31, 2010.

In connection with VANOC's dissolution plan, VANOC has negotiated with the COC the assignment and sale of future cash receipts committed but not yet due under VANOC's sponsorship agreements for a fair value exchange amount of \$37,190.

On a net basis, the amount owing by VANOC to the COC at July 31, 2010 was \$8,056 which has subsequently been paid in full.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts payable to or receivable from related parties are due on demand.

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11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

- [a] Pursuant to venue agreements between VANOC and Cypress Bowl Recreations Limited Partnership ["Cypress"] and VANOC and Whistler Mountain Resort Limited Partnership and Blackcomb Skiing Enterprises Limited Partnership ["Whistler/Blackcomb"], VANOC entered into make-whole agreements with these parties for any shortfall in their expected earnings in relation to their venue operations as a result of certain events being held at the respective venue sites for the purposes of hosting the Games. Both make-whole agreements have been settled in full and the costs have been reflected in the financial statements for the period ending July 31, 2010.
- [b] Future minimum annual obligations under operating leases are \$93 to July 31, 2011 at which time the operating leases expire.
- [c] The statute governing VANOC and VANOC's bylaws set forth VANOC's obligation to indemnify its directors, officers, and other defined persons for certain costs and expenses incurred in connection with the defense of claims asserted against them. VANOC has purchased insurance to help fund such obligations, if any.
- [d] VANOC is involved in certain claims and litigation that arose in the normal course of business with its suppliers/contractors for the reimbursement of costs of additional work and/or for additional costs because of changed conditions. Any settlements, payments or necessary accruals are reflected in the financial statements when management believes an outcome is reasonably determinable and the amount can be reasonably estimated.

VANOC does not believe the eventual outcome of these matters will have a material impact on the financial statements.