

PARTNERSHIPS BRITISH COLUMBIA INC
Financial Statements
March 31, 2006

Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2006, have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2006.

Management is responsible for the preparation of the consolidated financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of consolidated financial statements.

The Board of Directors carries out its responsibility for the review of the consolidated financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

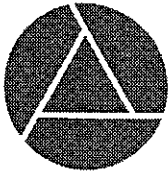
The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of Partnerships British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the consolidated financial statements of Partnerships British Columbia Inc.



Larry Blain
President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
Comptroller
Partnerships British Columbia Inc.



Report of the
Office of the Auditor General
of British Columbia

*To the Board of Directors of
Partnerships British Columbia Inc., and*


To the Shareholder of Partnerships British Columbia Inc.:

We have audited the consolidated balance sheet of *Partnerships British Columbia Inc.* as at March 31, 2006 and the consolidated statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 consolidated financial statements present fairly, in all material respects, the financial position of *Partnerships British Columbia Inc.* as at March 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.

*Victoria, British Columbia
May 5, 2006*


Errol S. Price, CA
Deputy Auditor General

PARTNERSHIPS BRITISH COLUMBIA INC.
Consolidated Balance Sheets as at March 31

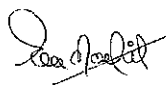
	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	\$ 30,452,092	\$ 14,194,277
Accounts receivable	4,187,911	4,920,980
Other current assets	72,370	64,061
Total current assets	34,712,373	19,719,318
Long-term investment (Note 4)	709,350	587,161
Capital assets (Notes 2 and 5)	353,593	345,093
Land (Note 10)	4,611,647	4,611,647
Construction in progress (Note 6)	120,686,777	32,740,568
Deferred development costs (Note 7)	12,314,825	10,579,665
Total assets	\$ 173,388,565	\$ 68,043,452

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

APPROVED ON BEHALF OF THE BOARD



R.T. Mahler, *Director*



M.E. Morfitt, *Director*

PARTNERSHIPS BRITISH COLUMBIA INC.
Consolidated Balance Sheets as at March 31

	2006	2005
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,610,603	\$ 4,004,167
Deferred revenue	65,000	111,724
Total current liabilities	2,675,603	4,115,891
Loan payable (Note 8)	104,367,456	33,572,222
Deferred capital contribution (Note 9)	55,501,813	20,974,032
Total liabilities	162,544,872	58,662,145
SHAREHOLDER'S EQUITY		
Share capital		
Authorized		
5,000,000 common shares, no par value		
Issued		
2 common shares	2	2
Contributed surplus (Note 10)	7,152,726	7,152,726
Retained earnings	3,690,965	2,228,579
Total shareholder's equity	10,843,693	9,381,307
Total liabilities and shareholder's equity	\$ 173,388,565	\$ 68,043,452

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Statements of Income and Retained Earnings for the Years Ended March 31**

	2006	2005
REVENUES		
Fees for services	\$ 6,612,671	\$ 4,449,301
Provincial government revenue	1,800,000	1,800,000
Other revenue	302,132	120,130
	8,714,803	6,369,431
EXPENSES		
Operating expenses		
Administration	366,846	322,541
Amortization	158,308	147,758
Building occupancy	479,531	440,372
Communications	83,508	73,594
Information systems	169,319	166,654
Professional services	538,531	359,850
Salaries and benefits	5,236,971	4,372,481
Travel	219,403	176,445
Total operating expenses	7,252,417	6,059,695
Operating income	1,462,386	309,736
Project recoveries	3,393,607	10,161,385
Project expenses (Note 11)	3,393,607	10,181,605
		(20,220)
Net income	1,462,386	289,516
Retained earnings, beginning of year	2,228,579	1,939,063
Retained earnings, end of year	\$ 3,690,965	\$ 2,228,579

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Statements of Cash Flows for the Years Ended March 31**

	2006	2005
Operating activities		
Net income	\$ 1,462,386	\$ 289,516
Add:		
Amortization	158,308	147,758
	1,620,694	437,274
Changes in working capital items:		
Accounts receivable	733,069	3,759,665
Note receivable	-	1,520,095
Other current assets	(8,309)	(49,814)
Accounts payable and accrued liabilities	(1,393,564)	(262,447)
Deferred revenue	(46,724)	(838,276)
Cash provided by operating activities	905,166	4,566,497
Investing activities		
Increase in long-term investment	(122,189)	(587,161)
Purchase of capital assets	(166,808)	(63,849)
Acquisition of land and construction in progress	(87,946,209)	(5,683,940)
Deferred development costs	(1,735,160)	(4,289,276)
Cash (used) by investing activities	(89,970,366)	(10,624,266)
Financing activities		
Short-term loan payable	-	(1,507,300)
Loan payable	70,795,234	4,472,047
Deferred capital contribution	34,527,781	13,011,170
Cash provided by financing activities	105,323,015	15,975,917
Increase in cash and cash equivalents	16,257,815	9,918,188
Cash and cash equivalents, beginning of year	14,194,277	4,276,089
Cash and cash equivalents, end of year	\$ 30,452,092	\$ 14,194,277

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

1. NATURE OF BUSINESS

Partnerships British Columbia Inc. (Partnerships British Columbia or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Minister of Finance. The Company has been mandated to promote public private partnerships and to advise, support and, in some cases, manage the creation of public private partnerships and to carry out related activities. The mandate of the Company is to maximize the value to the Province of public capital assets, such as hospitals, educational facilities, and highways and to minimize the cost and improve the quality of government services provided using these assets.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management;
- Provide advice to the Province and its agencies on public private partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants;
- Foster a positive business and policy environment for successful public private partnerships and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these emerging areas; and
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations, and local authorities such as regional health districts. To serve these clients effectively, Partnerships British Columbia is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

The Company's wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC) (formerly Abbotsford Hospital and Cancer Centre Inc.) was incorporated under the *Business Corporations Act* on September 2, 2003 to enter into a public private partnership as the public sector partner for the building and operation of a hospital and cancer centre in Abbotsford, British Columbia. ARHCC was registered as a not-for-profit organization under Section 149(1)(l) of the *Income Tax Act*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

a. Principles of Consolidation

The Consolidated Financial Statements include the accounts of Partnerships British Columbia and its wholly-owned subsidiary ARHCC Inc.

b. Short-Term Investments

Short-term investments are carried at fair values.

c. Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following annual rates:

• Computer software	2 years
• Computer hardware	3 years
• Furniture and equipment	5 years
• Leasehold improvements	5 years
• Knowledge management system	2 years
• Website development	3 years

d. Deferred Development Costs

Deferred development costs represent the direct development and overhead costs directly attributable to the development of ARHCC. These costs include pre-acquisition costs such as environmental studies, legal and other professional services. When the project is complete, these costs will form part of the capitalized cost of the asset.

e. Federal and Provincial Taxes

Partnerships British Columbia is exempt from corporate income taxes; however, it is subject to the Goods and Services Tax (GST).

f. Revenue Recognition

Project Recoveries

Reimbursements of eligible expenses are recognized in the period the expenses are incurred.

Fees for Services

Partnerships British Columbia's fees for professional services are recognized in the period when the services are rendered. There are two types of fees for services – work fees, and completion and milestone fees. Work fees are recognized for services rendered in the period based on the extent of progress or per centage of completed deliverables. Completion and milestone fees are recognized when the services rendered under contracts are completed or the milestones are achieved.

Deferred Capital Contribution

The Company follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred.

g. Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

3. CONSOLIDATION

Partnerships British Columbia incorporated a wholly-owned subsidiary, ARHCC, under the Business Corporations Act on September 2, 2003 and commenced operations on that date to provide a single public entity to contract with the private sector partner.

ARHCC entered into a project agreement with a private sector partner on December 7, 2004. Under the agreement, the private sector partner will design, construct, finance, operate and maintain the hospital and cancer centre until the end of the term of the agreement, May 6, 2038. All payment obligations to the private sector partner are guaranteed by the Province.

Once the facility is commissioned, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre.

These Consolidated Financial Statements include the accounts of ARHCC as follows:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 24,129,071	\$ 8,894,449
Long term investment	709,350	587,161
Land	4,611,647	4,611,647
Construction in progress	120,686,777	32,740,568
Deferred development costs	12,314,825	10,579,665
Total assets	<u>\$ 162,451,670</u>	<u>\$ 57,413,490</u>
Current liabilities	\$ 14,300	\$ 299,135
Deferred capital contribution	55,501,813	20,974,032
Loan payable	104,367,456	33,572,222
Net assets	<u>2,568,101</u>	<u>2,568,101</u>
Total liabilities and net assets	<u>\$ 162,451,670</u>	<u>\$ 57,413,490</u>

4. CASH AND CASH EQUIVALENTS

	<u>2006</u>	<u>2005</u>
Cash	\$ 6,888,474	\$ 4,867,017
Restricted cash	21,927,302	8,289,081
Short-term investments	1,636,316	1,038,179
	<u>\$ 30,452,042</u>	<u>\$ 14,194,277</u>

Restricted cash represents contributions from the Fraser Valley Regional Hospital District for construction costs in relation to the hospital and cancer centre (see Note 1). The contributions are included in deferred capital contribution referred to in Note 9.

Short-term investments consist of liquid investment, such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments, and Canadian government securities with maturities of 90 days or less from the date of purchase. Investments totalling \$1,883,028 are pledged as security for two (2) letters of credit. Investments with maturities greater than one year are disclosed as long-term investments.

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2006</u>	<u>Net Book Value 2005</u>
Computer software	\$119,489	\$ 81,514	\$ 37,975	\$ 3,079
Computer hardware	184,216	107,366	76,850	62,503
Furniture and equipment	159,390	88,740	70,650	131,471
Leasehold improvements	207,204	105,498	101,706	141,907
Knowledge management system	80,584	14,172	66,412	-
Website development	18,398	18,398	-	6,133
	<u>\$769,281</u>	<u>\$ 415,688</u>	<u>\$353,593</u>	<u>\$345,093</u>

6. CONSTRUCTION IN PROGRESS

Construction in progress is recorded at cost. The balance represents the per centage of construction completed as certified by an independent third party certifier.

7. DEFERRED DEVELOPMENT COSTS

Deferred development costs represent the accumulation of all planning costs directly attributable to the acquisition of the hospital and cancer centre (see Note 1). These costs will be amortized in future periods.

8. LOAN PAYABLE

The value of the construction in progress is recorded as a loan payable. Partial repayments are made from contributions received from the Fraser Valley Regional Hospital District. These repayments are made on a quarterly basis. (See Note 13)

9. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents the contributions received from the Fraser Valley Regional Hospital District and reimbursements from the Ministry of Health for the Company's monthly operating costs. During the year, the Company received \$32,300,000 (2005 - \$8,620,000) in contributions from the Fraser Valley Regional Hospital District and \$2,227,781 (2005 - \$4,391,170) from the Ministry of Health.

10. CONTRIBUTED SURPLUS

Partnerships British Columbia was incorporated on October 26, 1977 (as Duke Point Development Limited) under the Business Corporations Act, formerly the Company Act, as a Crown corporation of the Province. In March 2002, Duke Point Development Limited transferred all its physical property to the Province and ceased all land development activities. In August 2002, as part of the restructuring of the Corporation, the Province, as shareholder, authorized the elimination of the accumulated deficit of Duke Point Development Limited, in the amount of \$29,786,662, by reducing the shareholder's contributed surplus of \$34,371,288 by a corresponding amount. The remaining balance of \$4,584,626 remains in contributed surplus of Partnerships British Columbia.

In fiscal 2004-05, the Fraser Health Authority transferred a piece of land with a net book value of \$2,568,100 to the Company for nil consideration. The corresponding credit was made to contributed surplus.

11. PROJECT EXPENSES

Project expenses represent costs, such as legal and consulting fees, incurred by Partnerships British Columbia in connection with projects. The Company normally recovers these costs from its clients. Indirect and specific project costs ineligible for reimbursement are covered by provincial government revenue under the Public Private Partnerships Agreement (also known as the Government Services Contract) between the Province and Partnerships British Columbia, dated April 1, 2002.

Project expenses incurred during the year are as follows:

Project	2006	2005
Britannia Mine Water Treatment Plant	\$ 140,624	\$ 350,278
Gateway	789,863	828,485
Kicking Horse Canyon	212,700	569,528
Northern Sports Centre	152,500	14,917
The William R. Bennett Bridge	138,673	722,614
Primary Care Access Centres	163,848	-
Royal Roads University	149,565	152,334
Sea-to-Sky Highway Improvement Project	644,889	6,838,994
Sierra Yoyo Desan Road	-	153,101
Vancouver Coastal Health Authority	531,834	384,967
Others	469,111	166,387
	<u>\$ 3,393,607</u>	<u>\$ 10,181,605</u>

12. COMMITMENTS

Partnerships British Columbia is committed to payments under operating leases for premises through fiscal 2010.

The estimated payments are as follows:

Year	Amount
2007	\$ 529,334
2008	416,826
2009	317,561
2010	185,244
	<u>\$ 1,448,965</u>

13. CONTRACTUAL OBLIGATIONS

Under the public private partnership agreement referred to in Note 3, ARHCC has contracted with the private sector partner to build a hospital and cancer centre, including equipment, at a capital cost of \$355 million. The Fraser Valley Regional Hospital District is contributing a total of \$71 million to the total cost. The remainder of the cost will be advanced by the private sector partner, which will be repaid over the term of the agreement.

The agreement also provides for the private sector partner to operate and maintain the hospital and cancer centre from the time it opens, expected to be from May 2008 until April 2038.

ARHCC will start making payments once the hospital and cancer centre is commissioned, which is expected to be May 2008. The first year's payment will be \$40.8 million, excluding any bonuses or penalties and future payments will be adjusted for inflation.

14. EMPLOYEE BENEFIT PLAN

The employees and employers of the public service contribute to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated an unfunded liability of \$767 million for basic pension benefits. The next valuation will be as at March 31, 2008, with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. Partnerships British Columbia paid \$248,092 (2005 - \$197,346) for employer contributions to the Plan in fiscal 2005-06.

15. RELATED PARTIES

Partnerships British Columbia is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

Transfers of assets are recorded at net book value.

In the normal course of operations, Partnerships British Columbia entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

The consolidated statements of income include the following transactions with related parties:

	<u>2006</u>	<u>2005</u>
Fees for services	\$ 6,010,748	\$ 4,449,301
Provincial government revenue	1,800,000	1,800,000
Other revenue	125,400	-
	<u>\$ 7,936,148</u>	<u>\$ 6,249,301</u>
Operating expenses:		
Information systems	\$ 134,380	\$ 98,860
Professional services	33,229	42,374
	<u>\$ 167,609</u>	<u>\$ 141,234</u>

Assets and liabilities with related parties as at March 31, 2006 were:

Accounts receivable	\$ 2,779,000	\$ 4,365,000
Accounts payable and accrued liabilities	\$ 645,000	\$ 320,000

16. FINANCIAL INSTRUMENTS

a. Fair Value

As at March 31, 2006, the carrying values of financial instruments, including accounts receivable, other current assets, accounts payable and accrued liabilities, and deferred revenue, approximates their fair values because of the short-term nature of these instruments.

b. Interest Rate Risk

Interest rate risk is limited due to the short-term nature of the investments held.

c. Credit Risk

Partnerships British Columbia grants credit to its clients, the majority of whom are provincial government ministries, agencies and Crown corporations. Credit risk is limited due to the financial stability of these organizations.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2006 presentation.