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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2013 and the Statements of Operations, Change in Accumulated Operating Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets, and Cash Flows for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2013 and the results of its operations and its cash flows for the year ended March 31, 2013, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 16, 2013

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Financial Position

AS AT MARCH 31, 2013 WITH COMPARATIVES FOR MARCH 31, 2012

		March 31, 2013		March 31, 2012
Financial assets				
Cash	$	9,074,599	$	7,896,412
Accounts receivable (Note 3)		3,038,998		2,669,154
Portfolio investments (Note 4)		4,146,222		4,097,790
Total Financial Assets		16,259,819		14,663,356
Liabilities				
Accounts payable & accrued liabilities (Note 5)		2,109,945		1,945,675
Total Liabilities		2,109,945		1,945,675
Net financial assets		14,149,874		12,717,681
Non-financial assets				
Prepaid expenses		71,032		51,528
Tangible capital assets (Note 7)		158,348		272,651
Total Non-financial Assets		229,380		324,179
Accumulated surplus (Note 8)	$	14,379,254	$	13,041,860
Accumulated surplus is comprised of:				
Accumulated operating surplus	$	14,370,458	$	13,036,885
Accumulated remeasurement gains		8,794		4,973
Share capital		2		2
	$	14,379,254	$	13,041,860

The accompanying notes and supplementary schedules are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

L. Blain, Chair

S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Operations

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Budget (Note 13)	March 31, 2013	March 31, 2012
Revenue			
Work fees	$ 9,039,680	$ 9,503,615	$ 8,335,470
Other revenue	82,000	132,787	134,202
Total Revenues	9,121,680	9,636,402	8,469,672
Expenses			
Administration	317,152	317,605	361,301
Amortization	166,347	145,195	161,252
Building occupancy	616,173	625,346	609,435
Corporate relations	48,240	54,185	28,691
Information systems	235,200	296,754	266,679
Professional services	380,000	426,499	338,001
Salaries and benefits	7,129,147	6,274,671	5,997,531
Travel	205,001	162,574	158,809
Total Expenses	9,097,260	8,302,829	7,921,699
Reimbursable costs			
Project recoveries	4,240,000	5,647,149	3,745,278
Less: Project expenses	(4,240,000)	(5,647,149)	(3,745,278)
Net reimbursable costs	–	–	–
Annual operating surplus	24,420	1,333,573	547,973
Accumulated operating surplus, beginning of year	13,036,885	13,036,885	12,488,912
Accumulated operating surplus, end of year	$ 13,061,305	$ 14,370,458	$ 13,036,885

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Remeasurement Gains and Losses

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	March 31, 2013	March 31, 2012
Accumulated remeasurement gains, beginning of year	$ 4,973	$ 3,684
Plus: Unrealized gains attributable to:		
Portfolio investments	48,824	47,005
Less: Amounts reclassified to the statement of operations:		
Portfolio investments	(45,003)	(45,716)
Net remeasurement gains for the year	3,821	1,289
Accumulated remeasurement gains, end of year	$ 8,794	$ 4,973

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Changes in Net Financial Assets

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Budget (Note 13)	March 31, 2013	March 31, 2012
Annual operating surplus	$ 24,420	$ 1,333,573	$ 547,973
Acquisition of tangible capital assets	(133,388)	(30,892)	(109,368)
Amortization of tangible capital assets	166,347	145,195	161,252
	32,959	114,303	51,884
Acquisition of prepaid expenses	–	(215,340)	(201,157)
Use of prepaid expenses	8,361	195,836	216,685
	8,361	(19,504)	15,528
Effect of remeasurement gains of the year	–	3,821	1,289
Increase in net financial assets for the year	65,740	1,432,193	616,674
Net financial assets, beginning of year	12,717,681	12,717,681	12,101,007
Net financial assets, end of year	$ 12,783,421	$ 14,149,874	$ 12,717,681

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Cash Flows

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	March 31, 2012	March 31, 2011
Operating transactions		
Annual operating surplus	$ 1,333,573	$ 547,973
Non-cash item included in surplus:		
Amortization of tangible capital assets	145,195	161,252
	1,478,768	709,225
Changes in operating accounts		
Accounts receivable	(369,844)	367,462
Prepaid expenses	(19,504)	15,528
Accounts payable and accrued liabilities	164,270	(519,013)
	(225,078)	(136,023)
Total operating transactions	1,253,690	573,202
Capital transactions		
Purchase of tangible capital assets, net	(30,892)	(109,368)
	(30,892)	(109,368)
Investing transactions		
Increase in portfolio investments	(44,611)	(45,716)
	(44,611)	(45,716)
Net increase in cash	1,178,187	418,118
Cash, beginning of year	7,896,412	7,478,294
Cash, end of year	$ 9,074,599	$ 7,896,412

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Notes to Financial Statements

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

1. Nature of Operations

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole shareholder; the Minister of Finance. The Company was incorporated under the British Columbia Business Corporations Act in May 2002. It has 2 issued shares which are held by the Minister of Finance.

The Company's vision is to be a recognised leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

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 transactions, procurement management, and implementation.
- Provide advice to the Province and its agencies on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these areas.
- 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 authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act*.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

b. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

2. Summary of Significant Accounting Policies (continued)

c. Employee future benefits

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

d. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the tangible capital asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

- Computer software 2 years
- Computer hardware 3 years
- Furniture and equipment 5 years
- Leasehold improvements 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services.

e. Prepaid expenses

Prepaid expenses include software licences, insurance premiums and travel costs and are charged to expense over the periods expected to benefit from it.

f. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

h. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Accounts Receivable

	March 31, 2013	March 31, 2012
Revenues receivable	$ 3,031,248	$ 2,662,703
Accrued interest	7,750	6,451
	$ 3,038,998	$ 2,669,154

There was no provision for doubtful accounts required as at March 31, 2013 and 2012.

Included in accounts receivable are the following amounts receivable from government and other government organizations.

	March 31, 2013	March 31, 2012
Provincial governments	$ 2,664,152	$ 2,261,661
Federal government	57,123	272,546
Other government organizations	208,365	60,298
	$ 2,929,640	$ 2,594,505

4. Portfolio Investments

	March 31, 2013	March 31, 2012
Fair market value	$ 4,146,222	$ 4,097,790
Less: Original cost	(4,137,428)	(4,092,817)
Unrealized gain	$ 8,794	$ 4,973

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bcIMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2012, the fund had an annualized return of 1.1 percent compared to an annualized return of 1.2 percent for the prior year.

5. Accounts Payable and Accrued Liabilities

	March 31, 2013	March 31, 2012
Accounts payables and accrued liabilities	$ 1,231,015	$ 1,134,346
Salaries and benefits payable	735,612	688,959
Accrued vacation pay	143,318	122,370
	$ 2,109,945	$ 1,945,675

6. Employee Future Benefits

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Information about obligations for retirement benefits and other employee future benefits is as follows:

a. Retirement benefits

Pension plan

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 9.43 per cent (2012: 9.28 per cent).

6. Employee Future Benefits (continued)

Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2013, Partnerships BC contributed $397,273 (2012: $329,567) to the Plan. These contributions are the Company's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

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, 2011 showed that the Plan is 98 percent funded as it had assets of $17.77 billion and liabilities of $18.04 billion.

b. Other employee future benefits

Workplace safety and insurance board obligations

Partnerships BC is an employer under the Workers Compensation Act Part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Partnerships BC does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the financial statements.

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2013 Total
Cost					
Opening Balance	$ 377,823	$ 587,503	$ 205,023	$ 392,174	$ 1,562,523
Additions	–	26,351	5,167	–	31,518
Disposals	258,391	164,214	66,002	–	488,607
Closing Balance	119,432	449,640	144,188	392,174	1,105,434
Accumulated Amortization					
Opening Balance	376,868	409,125	147,295	356,584	1,289,872
Amortization	673	94,214	21,222	29,086	145,195
Disposals	258,391	163,588	66,002	–	487,981
Closing Balance	119,150	339,751	102,515	385,670	947,086
Net book value	$ 282	$ 109,889	$ 41,673	$ 6,504	$ 158,348

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2012 Total
Cost					
Opening Balance	$ 376,475	$ 642,310	$ 173,370	$ 384,840	$ 1,576,995
Additions	1,348	57,926	43,645	7,334	110,253
Disposals	–	112,733	11,992	–	124,725
Closing Balance	377,823	587,503	205,023	392,174	1,562,523
Accumulated Amortization					
Opening Balance	375,580	410,246	141,100	325,534	1,252,460
Amortization	1,288	111,612	17,302	31,050	161,252
Disposals	–	112,733	11,107	–	123,840
Closing Balance	376,868	409,125	147,295	356,584	1,289,872
Net book value	$ 955	$ 178,378	$ 57,728	$ 35,590	$ 272,651

8. Accumulated Surplus

The accumulated surplus is made up as follows:

		March 31, 2013		March 31, 2012
Accumulated operating surplus	$	14,370,458	$	13,036,885
Accumulated remeasurement gains		8,794		4,973
		14,379,252		13,041,858
Share capital		2		2
	$	14,379,254	$	13,041,860

The authorized share capital is 5,000,000 common shares at no par value.

9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

10. Related Party Transactions

Partnerships BC 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 fair value.

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

The statement of operations includes the following transactions with related parties:

		March 31, 2013		March 31, 2012
Fees for services	$	7,311,470	$	6,972,969
Other revenue		127,095		132,670
	$	7,438,565	$	7,105,639
Operating expenses:				
Professional services	$	6,020	$	1,208
Administration		50,675		53,649
	$	56,695	$	54,857
Project recoveries	$	4,861,095	$	2,323,495

Financial assets and liabilities with related parties as at March 31, 2013 and 2012 were:

		March 31, 2012		March 31, 2011
Accounts receivable	$	2,399,055	$	2,040,255
Accounts payable and accrued liabilities		41,509		38,418

11. Commitments

The Company is committed to payments under operating leases for premises through 2017/18 as follows:

Year		Amount
2014	$	591,829
2015		426,463
2016		192,801
2017		195,040
2018		81,267
	$	1,487,400

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2017 respectively.

12. Risk Management

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Company's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Company to the President and Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Company.

d. Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Company does not consider its exposure to credit risk to be material.

12. Risk Management (continued)

e. Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements. The Company's annual Service Plan and budget are approved by the Board of Directors. The Company also provides a quarterly forecast to the Audit and Risk Management Committee.

f. Market risk

The Company is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Company is exposed are interest rate and other price risks.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Company may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Company manages its exposure to potential interest rate fluctuations in the short-term. The Company has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Company is exposed to price risk through its portfolio investments.

As at March 31, 2013, the Company's total exposure to market risk is $4,146,222. The Company's best estimate of the effect on net assets as at March 31, 2013, due to a five per cent increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of $207,311 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Company's 2012/13 Service Plan.