

Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Years ended March 31, 2004 and 2003



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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2004 and the statements of operations 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.

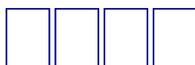
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

New Westminster, Canada
May 7, 2004



RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2004 and 2003

	2004	2003
Assets		
Cash	\$ 1,251,705	\$ 2,532,266
Accounts receivable	267,329	2,510,147
Due from related parties (note 6)	1,004,340	431,560
Due from Greater Vancouver Transportation Authority (note 3)	203,508	5,827,557
Goods and Services Tax receivable	233,529	473,103
Capital assets (note 4)	992,436,935	1,008,066,283
Deferred charges (note 5)	808,814	2,097,571
	<u>\$ 996,206,160</u>	<u>\$ 1,021,938,487</u>

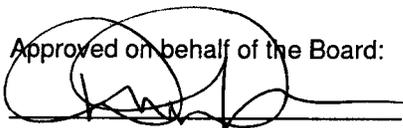
Liabilities and Share Capital

Accounts payable and accrued liabilities	\$ 2,767,948	\$ 9,741,942
Due to related parties (note 6)	67,131	54,534
Lien holdbacks	728,162	208,236
Fiscal agency loan (note 7)	160,131	3,518,133
Deferred contributions (note 8)	992,482,787	1,008,415,641
Share capital (note 9)	1	1
	<u>\$ 996,206,160</u>	<u>\$ 1,021,938,487</u>

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Operations

Years ended March 31, 2004 and 2003

	2004	2003
Revenue:		
Amortization of deferred contributions	\$ 29,459,828	\$ 59,597,247
Expenses:		
Amortization of capital assets	27,227,879	46,827,966
Amortization of deferred charges	2,231,949	12,769,281
	<u>29,459,828</u>	<u>59,597,247</u>
Net earnings	\$ -	\$ -

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flows

Years ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net earnings	\$ -	\$ -
Non-cash items:		
Amortization of deferred contributions	(29,459,828)	(59,597,247)
Amortization of capital assets	27,227,879	46,827,966
Amortization of deferred charges	2,231,949	12,769,281
	-	-
Investments:		
Capital assets additions	(11,598,531)	(46,559,623)
Increase in deferred charges	(943,192)	(3,350,148)
Decrease in deposits and interest accrued on behalf of GVTA	-	14,188,680
	(12,541,723)	(35,721,091)
Financing:		
Decrease in accounts receivable	2,242,818	2,665,002
Decrease (increase) in due from related parties	(572,780)	128,903
Decrease (increase) in GST receivable	239,574	(297,364)
Decrease in due from GVTA	5,624,049	33,593,053
Decrease in accounts payable and accrued liabilities	(6,973,994)	(8,912,157)
Increase (decrease) in due to related parties	12,597	(862,113)
Increase (decrease) in lien holdbacks	519,926	(4,200,769)
Decrease in fiscal agency loan	(3,358,002)	(43,591,208)
Increase in deferred contributions	13,526,974	58,311,179
Increase in accrued interest on deferred contributions	-	872,593
	11,261,162	37,707,119
Increase (decrease) in cash	(1,280,561)	1,986,028
Cash, beginning of year	2,532,266	546,238
Cash, end of year	\$ 1,251,705	\$ 2,532,266

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

1. Rapid Transit Project 2000 Ltd.:

Rapid Transit Project 2000 Ltd. (the "Company") is incorporated under the laws of British Columbia. The Company is exempt from tax under the Income Tax Act as it is wholly owned by the Province of British Columbia ("the Province").

Based on a Protocol Agreement with the Province, as represented by the Minister of Finance and by the Minister Responsible for Transit, the Company was incorporated to carry out the study, design, construction and development of a Rail Transit System (the "SkyTrain Extension") approved by the Province. In this capacity, the Company acts as an agent for the Province and conducts its activities in a manner consistent with general financial and management policies approved by the Treasury Board and the Province's Policy Framework for Crown Entrepreneurial Activities. Ongoing funding, banking, borrowing and investing activities related to the Project are carried out in accordance with applicable agreements between the Company and Provincial Treasury.

Effective January 7, 2002, Phase I of the Millennium Line (the "Line") was placed into revenue service under an interim use agreement by British Columbia Rapid Transit Company Ltd. ("BCRTC"), a subsidiary of the Greater Vancouver Transportation Authority ("GVTA"). Phase II of the Line was placed into revenue service on September 1, 2002 by BCRTC under a separate interim use agreement. The Company is currently completing the construction of the Vancouver Community College station and guideway, which fully completes the approved scope of the Millennium Line.

Currently, the Company is negotiating a long-term agreement for use of the Line with the GVTA.

2. Significant accounting policies:

(a) Basis of presentation:

Costs associated with the construction of the SkyTrain Extension are capitalized on the accrual basis to either capital assets or deferred charges.

(b) Capital assets:

SkyTrain Extension construction costs are recorded at cost including interest during construction. Amortization is charged upon commencement of revenue service operations over the estimated service life using the straight-line method at the following annual rates:

Asset	Rate
Computer software	3 years
SkyTrain extension	40 years
Vehicles	25 years

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

2. Significant accounting policies (continued):

(c) Deferred charges:

Deferred charges consist of start-up and pre-operating costs and include costs incurred during the design and definitions stage but before construction of specific segments of the Skytrain Extension.

If a project receives approval for construction by the Treasury Board, the deferred costs will continue to be deferred until the related assets are ready for revenue service at which time the costs are charged to operations.

If a project does not receive approval for construction by the Treasury Board, any related deferred costs are charged to operations when the project is ordered for closure.

(d) Deferred contributions:

Deferred contributions include capital and pre-operating contributions from the Ministry of Finance as well as attributed interest. Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions for pre-operating costs are recognized as revenue in the year in which the related expenditures are recognized.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the provision for accrued liabilities, contingencies and the amortization of capital assets, deferred charges, and deferred contributions. Actual results could differ from these estimates.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

3. Due from Greater Vancouver Transportation Authority:

	2004	2003
Municipal Integration Fund:		
Costs receivable	\$ 33,122	\$ 1,553,904
GST receivable	2,319	108,773
	<u>35,441</u>	<u>1,662,677</u>
Systems Upgrades:		
Costs receivable	-	748,440
GST receivable	-	52,391
	<u>-</u>	<u>800,831</u>
Lake City Project Management:		
Costs receivable	7,072	59,614
GST receivable	495	4,173
	<u>7,567</u>	<u>63,787</u>
Vehicles delivered:		
Costs receivable	150,000	3,084,357
GST receivable	10,500	215,905
	<u>160,500</u>	<u>3,300,262</u>
Total	\$ 203,508	\$ 5,827,557

The amounts due from GVTA are non-interest bearing and due on demand.

4. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Construction-in-progress ("CIP") (schedule)	\$ 7,542,562	\$ -	\$ 7,542,562	\$ -
Completed construction (schedule)	1,026,547,968	75,546,608	951,001,360	972,932,998
Land in use	33,893,013	-	33,893,013	35,133,285
Computer software	736,913	736,913	-	-
	<u>\$ 1,068,720,456</u>	<u>\$ 76,283,521</u>	<u>\$ 992,436,935</u>	<u>\$ 1,008,066,283</u>

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

4. Capital assets (continued):

Included within capital assets is \$19.4 million of land, which was expropriated under the Expropriation Act and has been registered in the name of BC Transit. A number of previous owners of expropriated land have challenged the expropriated value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, \$14.5 million, is registered in the Company's name.

Completed construction costs include other project costs consisting of municipal integration costs, systems upgrades to the current SkyTrain system and to the Operations and Maintenance Centre to accommodate the new Mark II vehicles, and funds advanced by the Company for a Provincially approved pre-build of a connection at Lougheed Town Centre Station for the future Port Moody-Coquitlam Line. The Company is entitled to receive reimbursement from the GVTA of up to \$17.5 million for 50% of the Municipal Integration Fund costs and up to \$86.8 million for the costs of the system upgrades. The Province has completed its advance of \$26.6 million in funding against the Coquitlam Extension which has an approved value of \$29.3 million.

As at March 31, 2004, the Company has \$2.0 million remaining to be recovered for the Municipal Integration Fund. As at September 30, 2003, the Systems Upgrades project was closed out with total Provincial advances of \$81.6 million which have been fully recovered from the GVTA.

Construction-in-progress consists of costs associated with the construction of VCC Station and guideway which is scheduled for completion in December 2005.

Included within construction-in-progress are management estimates of liabilities which may result from negotiations with contractors relating to contract changes.

The Company has \$1.4 million in letters of financial security from Bombardier relating to the Electrical and Mechanical contract.

5. Deferred charges:

Costs incurred to date	2004	2003
Insurance	\$ 744,924	\$ 744,924
Amortization	736,913	736,913
Communications	5,596,775	5,594,023
Business development	4,156,116	4,156,116
Finance and administration	17,652,373	16,937,767
Definition phases	8,563,649	8,482,649
Taxes	946,745	914,367
Other	6,947,088	6,834,632
	45,344,583	44,401,391
Accumulated amortization of deferred charges	44,535,769	42,303,820
	\$ 808,814	\$ 2,097,571

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

6. Related party transactions:

The following table summarizes the Company's related party transactions during the period not otherwise disclosed:

	2004	2003
Ministry of Finance	\$ 226,100	\$ 183,580
Vancouver Convention Centre Expansion Project Ltd.	55,967	-
BC Transportation Financing Authority	37,603	11,388

These transactions, which are with common-controlled enterprises, 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 following amounts represent balances outstanding as at March 31, 2004 with related parties:

	2004	2003
Due from:		
BC Transportation Financing Authority	\$ 864,302	\$ 431,560
Fraser Health Authority	5,645	-
Ministry of Finance	2,805	-
Ministry of Transportation	24,643	-
Partnerships British Columbia	824	-
Vancouver Convention Centre Expansion Project Ltd.	106,121	-
	\$ 1,004,340	\$ 431,560
Due to:		
Ministry of Finance	\$ 53,087	\$ 54,534
Vancouver Convention Centre Expansion Project Ltd.	14,044	-
	\$ 67,131	\$ 54,534

The amounts due from related parties are due on demand and have arisen from reimbursement of costs related to system start up and shared project office costs. The amounts payable to related parties are due on demand and have arisen from the secondment of staff.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

7. Fiscal agency loan:

The fiscal agency loan represents monies borrowed from the Ministry of Finance to make deposits on 20 new Mark II SkyTrain vehicles and for upgrades to the existing system (note 4). The fiscal agency loan is unsecured and comprises a series of short-term discounted notes which have been continually rolled over. The notes bear interest at rates ranging from 2.00% to 3.15%. The fiscal agency loan is being repaid as funding is received from the GVTA for the 20 new Mark II SkyTrain vehicles and for upgrades to the existing system.

8. Deferred contributions:

Deferred contributions are comprised of funding received as non-repayable Prepaid Capital Advances ("PCAs") as well as attributed interest from the Ministry of Finance for the design, planning and construction of the SkyTrain Extension and the related pre-operating costs. The deferred contributions have been funded by the Ministry of Finance by way of short-term notes and long-term notes. Interest attributed by the Province for the short-term and long-term notes is capitalized to the PCAs.

Funding for the deferred contributions of the project is as follows:

	2004	2003
Short-term discounted notes	\$ 112,609	\$ 4,189,380
Short-term interest capitalized and not refinanced through short-term notes	312,383	311,390
Long-term notes	1,040,345,698	1,022,742,946
Attributed interest on deferred contributions	88,896,111	88,896,111
Interest reinvestment (included in attributed interest on deferred contributions)	(17,101,638)	(17,101,638)
Amortization of deferred contributions	(120,082,376)	(90,622,548)
	<u>\$ 992,482,787</u>	<u>\$ 1,008,415,641</u>

The short-term discounted notes have been continually rolled over. Interest during construction is attributed to these notes by the Province at rates approximating 2.17%.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

8. Deferred contributions (continued):

Long-term notes of the Province have the following terms:

Amount	Rate	Maturity date
Fixed rate notes:		
\$ 54,885,768	6.31%	August 23, 2024
109,995,184	6.52%	June 18, 2029
139,739,146	6.52%	June 18, 2029
16,397,160	6.38%	January 9, 2012
50,221,592	6.31%	August 23, 2010
78,303,103	6.34%	August 23, 2010
39,923,808	6.62%	August 23, 2010
30,007,732	6.33%	April 10, 2021
25,964,245	6.40%	September 10, 2021
56,999,026	5.25%	December 1, 2006
28,312,923	4.63%	October 3, 2006
80,613,362	5.70%	June 1, 2007
2,187,298	5.41%	July 4, 2023
2,181,141	5.74%	September 2, 2023
3,887,738	5.29%	March 1, 2024
Floating rate notes:		
136,732,185	5.96%	June 9, 2008
100,066,707	5.49%	February 8, 2005
34,935,553	5.25%	December 20, 2007
27,374,239	3.24%	June 12, 2007
12,271,214	5.49%	February 8, 2005
9,346,574	3.35%	December 1, 2005
<hr/>		
\$1,040,345,698		

9. Share capital:

The Company has authorized and issued one common share without par value to Her Majesty the Queen in right of the Province of British Columbia.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2004 and 2003

10. Commitments and contingencies:

(a) Operating lease commitments:

The Company is committed to payments under operating leases as follows:

2005	\$ 117,459
2006	60,514
2007	10,993
2008	10,993
2009	3,619

(b) Construction-in-progress and deferred charges:

As at March 31, 2004, the Company is committed to future capital expenditures of approximately \$14.4 million for contracts currently entered into with respect to the SkyTrain Extension.

(c) Contract changes under review:

At March 31, 2004, there were various contract changes under review. The Company has accrued its estimated cost related to these items. Any difference between amounts accrued and eventually paid will be recorded in the period of payment.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

RAPID TRANSIT PROJECT 2000 LTD.

Schedules of Completed Construction and Construction-in-Progress

Years ended March 31, 2004 and 2003

Costs incurred to date	2004	2003
SkyTrain Extension:		
Electrical and mechanical systems	\$ 232,719,888	\$ 232,423,209
Guideway	361,174,480	360,300,253
VCC Station and Guideway	7,542,562	-
Stations	99,714,473	99,655,227
Systems wide elements	8,251,778	8,235,400
Deposits on vehicles	109,506,332	107,768,151
Design	26,212,446	25,813,563
Public consultation	4,375,856	4,375,856
Property management	4,982,605	4,602,967
Project controls	10,995,203	10,603,386
Engineering and design management	12,153,549	11,946,559
Construction management	17,507,205	17,159,070
Insurance	4,499,379	4,270,390
Interest	77,367,004	77,511,704
Other	11,313,387	11,159,280
GST	-	-
Operations and Maintenance Centre	7,279,646	7,279,646
	995,595,793	983,104,661
Other project costs:		
Municipal Integration Fund:		
Costs	31,432,088	30,523,412
Amounts recovered from GVTA	(15,431,222)	(13,466,420)
Amounts recoverable from GVTA	(35,441)	(1,553,904)
	15,965,425	15,503,088
Less: MIF purchased land currently in use	(4,111,278)	(3,996,612)
	11,854,147	11,506,476
Systems upgrade:		
Costs	81,569,415	80,456,322
Amounts recovered from GVTA	(81,569,415)	(79,707,882)
Amounts recoverable from GVTA	-	(748,440)
	-	-
Coquitlam Pre-build	26,640,590	26,640,590
	38,494,737	38,147,066
	\$ 1,034,090,530	\$ 1,021,251,727
Consists of:		
Construction-in-progress	\$ 7,542,562	\$ -
Completed construction	1,026,547,968	1,021,251,727
	\$ 1,034,090,530	\$ 1,021,251,727