Financial Statements of

BC Infrastructure Benefits Inc.

For the period July 16, 2018 to March 31, 2019
May 15th, 2019

Statement of Management Responsibility
For the period July 16, 2018 to March 31, 2019

The financial statements of BC Infrastructure Benefits Inc. have been prepared by management in accordance with Canadian Public Sector Accounting Standards as modified by Treasury Board and include certain estimates that reflect management’s best judgments.

Management is responsible for the preparation of the 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 financial statements.

The Corporation’s Board of Directors is responsible for the review and approval of the financial statements and meets with management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Board with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor’s report outlines the scope of his examination and expresses an opinion on the financial statements of BC Infrastructure Benefits Inc.

Yours truly,

Irene Kerr
Chief Executive Officer

Mario Piscitelli
Chief Financial Officer
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the BC Infrastructure Benefits Inc., and
To the Minister of Finance, Province of British Columbia

Qualified Opinion

I have audited the accompanying financial statements of BC Infrastructure Benefits Inc. “the entity”, which comprise the statement of financial position as at March 31, 2019, and the statement of operations for the period July 16, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2019, and the results of its operations for the period July 16, 2018 to March 31, 2019 in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2b to the financial statements, the entity’s accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity’s method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such, the entity’s method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

Had the entity made an adjustment for this departure in the current period, the liability for deferred operating contributions as at March 31, 2019 would have been lower by $16,000, the liability for deferred capital contributions as at March 31, 2019 would have been lower by
$97,000, provincial grants revenue, annual surplus and accumulated surplus would have been higher by $113,000 and net debt would have been lower by $113,000.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity’s financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Responsibilities of Management and Those Charged with Governance for the financial statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor’s Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• Obtain an understanding of internal control relevant to the audit 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.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
May 15, 2019
BC Infrastructure Benefits Inc.
Statement of Financial Position
As at March 31, 2019
(in $000’s)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors on May 15th, 2019

Allan Bruce, Chair

Michael Bonshor, Director
### Statement of Operations
For the period July 16, 2018 to March 31, 2019
(In $000’s)

The accompanying notes form an integral part of these financial statements.
BC Infrastructure Benefits Inc.
Notes to the Financial Statements
For the period July 16, 2018 to March 31, 2019

1. NATURE OF OPERATIONS

British Columbia Infrastructure Benefits Inc., (“BCIB” or “the corporation”) is a Crown corporation wholly owned by the Province of British Columbia and was established on July 16, 2018, under B.C.’s Business Corporations Act.

BCIB is responsible for implementing the Community Benefits Agreement (“CBA”). The corporation will provide a qualified workforce for the construction of public sector infrastructure projects operating under the agreement. BCIB will recruit, hire and employ all skilled labour for these projects and prioritize opportunities for Indigenous workers, women and people with disabilities.

At the time of its incorporation, Provincial Treasury Board provided the Ministry of Transportation and Infrastructure (“TRAN”) with provincial contingency funding for BCIB’s start up and initial operations.

BCIB is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Basis of Accounting

These financial statements have been prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This act requires BCIB to prepare financial statements in accordance with Public Sector Accounting Standards, except with regards to accounting for government transfers as set out in Note 2(b).

In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011. This provided direction for the reporting of restricted contributions whether they are received or receivable by BCIB before or after this regulation was in effect.

b) Deferred contributions and revenue recognition

Provincial grants received relate to contributions from federal, provincial and local governments to fund capital projects and operating costs.

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follow:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contribution and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) When all eligibility criteria have been met and authorization has been received, contributions for operating expenditures are recorded as revenue in the year related expenses are incurred except for
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

prepaid expenses, where contributions are recorded as deferred operating contributions and recognized over the term of prepayment.

c) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization.

For assets that are made available for use, amortization charges begin when the asset can operate in the manner intended by management. Charges are calculated using methods and rates that amortize the cost of the tangible capital asset over its estimated useful life. Methods and rates are reviewed annually and adjusted if necessary. If there are changes to the methods and rates, these are accounted for on a prospective basis.

The amortization method and useful lives for each asset class are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amortization Method</th>
<th>Useful Lives (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>Straight Line</td>
<td>3 to 4</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Straight Line</td>
<td>6</td>
</tr>
<tr>
<td>Computer assets</td>
<td>Straight Line</td>
<td>3 to 4</td>
</tr>
</tbody>
</table>


d) Prepaid Expenses

Prepaid expenses are recorded at cost. Prepaids are expensed on a straight-line basis over the life of the agreement as the economic benefits are being used.

e) Pension Benefits

Pension benefits for employees of the Corporation are provided through the BC Public Service Pension Plan, which is a defined benefit, multi-employer jointly trusted plan. As the assets and liabilities of the plan are not readily available to the employer, BCIB recognizes contributions to the plan as they are incurred.

f) Financial Instruments

Financial Instruments include primary instruments such as due from or due to government and other government organizations, accounts payable and accrued liabilities and deferred contributions.

The Corporation has classified each of its financial instruments in the following categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from government &amp; other government organizations</td>
<td>Other financial assets</td>
</tr>
<tr>
<td>Accounts payables &amp; accrued liabilities</td>
<td>Other financial liability</td>
</tr>
<tr>
<td>Due to government &amp; other government organizations</td>
<td>Other financial liability</td>
</tr>
<tr>
<td>Deferred contributions</td>
<td>Other financial liability</td>
</tr>
</tbody>
</table>

Items in the other financial assets category are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that impact the amount reported for assets and liabilities at the date of the financial statements, as well as the amounts reported for revenues and expenses during the reporting period. Items requiring the use of significant estimates include provisions for certain accrued liabilities.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will by definition exhibit some variances to actual results.

3. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC Ministry of Transportation and Infrastructure</td>
<td>$ 4,135</td>
</tr>
<tr>
<td>Canada Revenue Agency</td>
<td>203</td>
</tr>
<tr>
<td></td>
<td>$ 4,338</td>
</tr>
</tbody>
</table>

Funds receivable from the BC Ministry of Transportation and Infrastructure are provincial grants. Receivables from Canada Revenue Agency (CRA) are from GST tax paid by BCIB.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ -</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>$ 70</td>
</tr>
</tbody>
</table>

Accounts payable are in the normal course of operations and are measured at the exchange amount. At times, the Corporation may be exposed to certain legal obligations. An estimated claim is accrued when a reasonable estimate can be made, and it is probable that a settlement can be reached. During the fiscal year, there were no legal obligations outstanding.
BC Infrastructure Benefits Inc.
Notes to the Financial Statements
For the period July 16, 2018 to March 31, 2019

5. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC Ministry of Transportation and Infrastructure</td>
<td>$ 4,114</td>
</tr>
<tr>
<td>Transportation Investment Corporation</td>
<td>$ 154</td>
</tr>
<tr>
<td></td>
<td>$ 4,268</td>
</tr>
</tbody>
</table>

These are funds that BCIB owes to government organizations to pay for the set-up of BCIB.

6. DEFERRED OPERATING CONTRIBUTIONS

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred operating contributions, beginning</td>
<td>$ -</td>
</tr>
<tr>
<td>Contributions received in the year</td>
<td>$ 16</td>
</tr>
<tr>
<td>Amount recognized as revenue in the year</td>
<td>$ -</td>
</tr>
<tr>
<td>Deferred operating contributions, ending</td>
<td>$ 16</td>
</tr>
</tbody>
</table>

Deferred operating contributions represent funding from TRAN to cover the prepaid cost of a computer software license. This will be recognized as revenue over the term of the license, matching the recognition of the related prepaid expense.

7. DEFERRED CAPITAL CONTRIBUTIONS

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred capital contributions, beginning</td>
<td>$ -</td>
</tr>
<tr>
<td>Contributions received in the year</td>
<td>$ 97</td>
</tr>
<tr>
<td>Amount recognized as revenue in the year</td>
<td>$ -</td>
</tr>
<tr>
<td>Deferred capital contributions, ending</td>
<td>$ 97</td>
</tr>
</tbody>
</table>

Deferred capital contributions represent funding from TRAN, which will be recognized as government transfer revenue over the expected useful life of the related tangible capital assets.
8. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost. The costs and accumulated amortization for BCIB’s tangible capital assets at March 31, 2019, are as follows ($000’s):

<table>
<thead>
<tr>
<th>Cost</th>
<th>Furniture &amp; Fixtures</th>
<th>Leasehold Improvements</th>
<th>Computer Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>2</td>
<td>72</td>
<td>23</td>
<td>97</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-off</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>72</td>
<td>23</td>
<td>97</td>
</tr>
</tbody>
</table>

Accumulated Amortization

<table>
<thead>
<tr>
<th>Cost</th>
<th>Furniture &amp; Fixtures</th>
<th>Leasehold Improvements</th>
<th>Computer Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-off</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th>Cost</th>
<th>Furniture &amp; Fixtures</th>
<th>Leasehold Improvements</th>
<th>Computer Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>2</td>
<td>$</td>
<td>72</td>
<td>$97</td>
</tr>
</tbody>
</table>

9. PREPAID EXPENSE

<table>
<thead>
<tr>
<th>($000's)</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software license</td>
<td>$16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16</strong></td>
</tr>
</tbody>
</table>
10. EXPENSE BY OBJECT

($000's)                         March 31, 2019
Contracted services             $ 1,973
Consulting                      1,038
Seconded employees              517
Professional                    405
Administration                   89
                                  $ 4,022

11. BUDGETED FIGURES

Budget data presented in these financial statements is based on the fiscal 2019 forecast that was included along with the fiscal 2020 budget which was approved by the Board on January 16, 2019.

12. RELATED PARTY TRANSACTIONS

BCIB is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations and all public sector organizations included in the Provincial Government Reporting Entity (“GRE”). Transactions with related parties are in the normal course of operations and are made on terms equivalent to those that prevail in arm’s length transactions.

BCIB incurred $4.1 million in expenditures related to its initial set up: $4.0 million in operating expenses and $0.1 million for prepayment and capital expenditures. Out of the total expenditures, $4.0 million was from TRAN and $0.1 million was from Transportation Investment Corporation.

BCIB recognized a grant of $4.1 million from TRAN for all expenditures related to its initial set up.

13. CONTRACTUAL OBLIGATIONS

($000's)                         Operating Leases
Fiscal 2020                      $ 341
Fiscal 2021                      341
Fiscal 2022                      351
Fiscal 2023                      351
Beyond                            741
                                  $ 2,125

BCIB’s operating leases include rental of office space, starting April 1, 2019, for a term of 6 years.
14. STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT) AND STATEMENT OF CASH FLOW

The statements of changes in net financial assets (debt) and cash flows are not included in these financial statements as they do not add any meaningful information.

15. SUBSEQUENT EVENT

During the fiscal year, BCIB entered into a short-term financing agreement with the Ministry of Finance. This agreement allows BCIB to borrow funds to pay for future expenditures. On March 28, 2019, BCIB requested $5.0 million from the Ministry of Finance, which was received on April 2, 2019.