

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2000 and the statement of 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, 2000 and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by British Columbia's Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 12, 2000

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheet

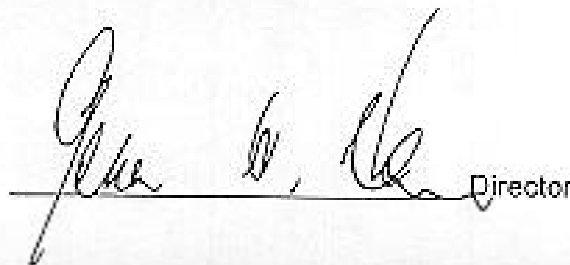
	March 31, 2000	March 31, 1999
Assets		
Cash	\$ 1,248,177	\$ 40,386
Accounts receivable	622,736	-
Receivable from Greater Vancouver Transportation Authority	1,999,421	-
Prepaid expenses	61,846	-
GST receivable (note 2)	13,365,342	4,664,044
Capital assets (note 3)	537,167,051	125,294,073
Deferred start-up costs (note 4)	22,245,460	10,603,425
Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority (note 5)	59,317,156	56,486,172
	<u>\$ 636,027,189</u>	<u>\$ 197,088,100</u>
Liabilities and Share Capital		
Accounts payable and accrued liabilities	\$ 38,671,572	\$ 6,886,193
Payable to related parties (note 6)	124,305	209,047
Lien holdbacks	1,890,212	-
Fiscal agency loan (note 7)	101,193,788	56,470,403
Deferred capital contributions (note 8)	473,123,119	131,326,802
Accrued interest on deferred capital contributions	21,024,191	2,195,654
Share capital (note 9)	1	1
Commitments and contingencies (note 10)		
Subsequent event (note 11)		
	<u>\$ 636,027,189</u>	<u>\$ 197,088,100</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

RAPID TRANSIT PROJECT 2000 LTD.

Statement of Cash Flows

	Year ended March 31, 2000	Period ended March 31, 1999
Cash provided by (used in):		
Financing:		
Increase in accounts receivable	\$ (622,736)	\$ -
Increase in receivable from Greater Vancouver Transportation Authority	(1,999,421)	-
Increase in prepaid expenses	(61,846)	-
Increase in GST receivable	(8,701,298)	(4,664,044)
Increase in accounts payable and accrued liabilities	31,785,379	6,886,193
Increase (decrease) in payable to related parties	(84,741)	209,047
Increase in lien holdbacks	1,890,212	-
Increase in fiscal agency loan	44,723,385	56,470,403
Increase in deferred capital contributions	341,796,317	131,326,802
Increase in accrued interest on deferred capital contributions	18,828,537	2,195,654
Issue of share capital	-	1
	427,553,788	192,424,056
Investments:		
Purchase of capital assets	(412,364,254)	(125,539,711)
Increase in deposits on vehicles to be transferred to Greater Vancouver Transportation Authority	(2,830,984)	(56,486,172)
Increase in deferred start-up costs	(11,150,759)	(10,357,787)
	(426,345,997)	(192,383,670)
Increase in cash	1,207,791	40,386
Cash, beginning of year	40,386	-
Cash, end of year	\$ 1,248,177	\$ 40,386

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

Rapid Transit Project 2000 Ltd. was incorporated under the laws of British Columbia.

Based on the Protocol Agreement with the Province, represented by the Minister of Finance and Corporate Relations and the Minister Responsible for Transit, Rapid Transit Project 2000 Ltd. was incorporated for carrying 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. Banking, borrowing and investing activities are done in accordance with applicable agreements between the Company and Provincial Treasury. The Company also acts as an agent for and on behalf of BC Transit, and holds the SkyTrain Extension Project and all property acquired by it in respect thereof in its own name on behalf of BC Transit pending completion of the Rapid Transit Project.

1. Significant accounting policies:

(a) Basis of presentation:

All costs associated with the construction of the SkyTrain Extension are being capitalized to either capital assets or deferred start-up costs. No statement of operations is provided as the SkyTrain Extension is currently in the construction phase and it will be operated by a separate entity.

(b) Capital assets:

Capital assets are stated at cost and will be amortized over their useful economic lives upon commencement of revenue service. Amortization is provided on computer software currently in use on the straight-line basis using the following rates:

Asset	Rate
Computer software	33%

Amortization of computer software is included in deferred start-up costs.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

1. Significant accounting policies (continued):

(c) Deferred start-up costs:

All start-up costs are deferred and stated at cost. No amortization has been recognized as the SkyTrain Extension is still under construction and revenue service by the separate operating entity has not commenced.

(d) 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of GST receivable and provision for accrued liabilities. Actual results could differ from those estimates.

(e) Prior year comparatives:

During the year the Company reclassified certain prior period comparatives to conform with current year presentation.

2. GST receivable:

The GST receivable represents 57% of the GST incurred on expenditures made by the Company to date. The remaining 43% of the GST incurred has been included in capital assets and deferred start-up costs. The Company is currently developing a claim for 100% of the GST incurred. Upon resolution of the claim, any differences in GST receivable will be charged to (recovered from) costs recorded to date.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

3. Capital assets:

			Year ended March 31, 2000	Period ended March 31, 1999
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 23,009,985	\$ –	\$ 23,009,985	\$ 908,977
Computer software	736,913	(491,276)	245,637	491,275
Construction-in-progress (schedule)	513,911,429	–	513,911,429	123,893,821
	\$ 537,658,327	\$ (491,276)	\$ 537,167,051	\$ 125,294,073

Included within capital assets is \$17.7 million of land which was expropriated under the Expropriation Act and has been registered in the name of BC Transit. Previous owners of expropriated land have up to one year to challenge the assessment value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, \$5.3 million, is registered in the Company's name.

Construction in progress includes \$42.3 million of deferred costs for systems upgrades to the current SkyTrain system and the Operations and Maintenance Centre to accommodate the new Mark II vehicles. The Company will receive reimbursement from Greater Vancouver Transportation Authority for these costs up to \$94 million as the work is completed.

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

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

4. Deferred start-up costs:

Costs incurred to date	Year ended March 31, 2000	Period ended March 31, 1999
Insurance	\$ 686,622	\$ 579,044
Amortization	491,276	245,638
Communications	2,974,543	1,740,421
Business development	2,466,078	1,396,793
Finance and administration	8,047,951	4,000,336
Definition phases	3,745,778	1,045,357
Taxes	359,006	84,913
Other	3,013,640	1,259,025
GST	460,566	251,898
	<u>\$ 22,245,460</u>	<u>\$ 10,603,425</u>

Deferred start-up costs relate directly to the design, planning and construction of the SkyTrain Extension between New Westminster to Vancouver Community College, through Lougheed Mall and Commercial.

5. Deposits on vehicles to be transferred to Greater Vancouver Transportation Authority:

On October 21, 1998, the Ministry of Finance and Corporate Relations approved the purchase from Bombardier of 20 new Mark II SkyTrain vehicles for the existing SkyTrain system in conjunction with the Company's Mark II vehicle contract.

	Year ended March 31, 2000	Period ended March 31, 1999
Deposits	\$ 55,486,669	\$ 55,486,669
Treasury fees, interest and letter of financial security costs	3,830,487	999,503
	<u>\$ 59,317,156</u>	<u>\$ 56,486,172</u>

The vehicles will be transferred to the Greater Vancouver Transportation Authority and full reimbursement of the purchase price plus accrued interest will be paid under an existing negotiated agreement upon completion of the project.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

6. Related party transactions:

The following table summarizes the Company's related party transactions during the year:

	Year ended March 31, 2000	Period ended March 31, 1999
BC Transit	\$ 560,735	\$ 6,888,000
BC Transportation Financing Authority	—	17,000
BC Rapid Transit Company Ltd	142,950	—
West Coast Express	—	34,000
Minister of Finance and Corporate Relations	197,799	24,000
Coast Mountain BusLink	—	109,000
BC Assets and Land Corporation	43,674	—

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.

During the year Coast Mountain BusLink was transferred from BC Transit to Greater Vancouver Transportation Authority.

The following amounts are due to related parties:

	Year ended March 31, 2000	Period ended March 31, 1999
Minister of Finance and Corporate Relations	\$ 1,848	\$ —
BC Transit	122,458	83,100
BC Transportation Financing Authority	—	16,884
Coast Mountain BusLink	—	109,063
	\$ 124,306	\$ 209,047

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

6. Related party transactions (continued):

The amounts due to related parties are due on demand and have arisen from the purchases of services referred to above.

7. Fiscal agency loan:

The fiscal agency loan represents monies borrowed from the Ministry of Finance and Corporate Relations to make deposits on 20 new Mark II SkyTrain vehicles (note 5) and for upgrades to the existing system (note 3). 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 4.51% to 5.22%.

8. Deferred capital contributions:

Deferred capital contributions represent funding received from the Ministry of Finance and Corporate Relations for the design, planning and construction of the SkyTrain extension. No security has been provided for the contributions.

	Year ended March 31, 2000	Period ended March 31, 1999
Short-term discounted notes	\$ 59,203,597	\$ 131,326,802
Long-term notes	413,919,522	-
	<hr/> \$ 473,123,119	<hr/> \$ 131,326,802

Short-term deferred contributions represent a series of short-term discounted notes which have been continually rolled over. The notes bear interest at rates ranging from 4.85% to 5.2%.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

8. Deferred capital contributions (continued):

Long-term contributions represent short-term notes that have been converted to long-term notes with the following terms:

Amount	Rate	Maturity date
\$ 54,885,768	6.31%	August 24, 2024
109,995,184	6.52%	June 18, 2029
139,739,148	6.52%	June 18, 2029
16,397,160	6.38%	January 9, 2012
92,902,262	5.48%	December 6, 2002
<hr/>		
\$ 413,919,522		

Interest is payable on the long-term notes semi-annually.

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.

10. Commitments and contingencies:

(a) Operating lease commitments:

The Company is committed to payments under operating leases for years ended March 31 as follows:

2001	\$ 1,534,000
2002	930,000
2003	11,000

(b) Capital commitments:

As at March 31, 2000, the Company is committed, under a contract with Bombardier, to a further \$8.3 million of expenditure relating to the purchase of SkyTrain vehicles.

(c) Construction-in-progress and deferred start-up costs:

As at March 31, 2000, the Company is committed to future capital expenditures of approximately \$207.6 million for contracts currently entered into with respect to the SkyTrain Extension.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2000

10. Commitments and contingencies (continued):

(d) Bombardier:

If agreement between the Greater Vancouver Transportation Authority and Bombardier on an Operations and Maintenance contract is not reached, or if the Province does not mandate such an agreement by legislation, then Bombardier can elect to sell, and the Company must purchase, the Centre for Advanced Transit Systems on reasonable commercial terms. Management does not believe that the Company will have to purchase this Centre.

(e) Financial security:

The Company has received a \$70 million letter of financial security from Bombardier Inc. ("Bombardier") in respect of deposits on vehicles.

The Company has received a \$186 million letter of financial security from Bombardier relating to the Electrical and Mechanical contract.

The Company has issued three letters of financial security totalling \$865,000 to the Government of Canada, Department of Fisheries and Oceans relating to costs for supply and installation of habitat compensation and environmental monitoring at various construction sites.

(f) Contract changes under review:

At the year end there were various contract changes and claims relating to schedule delays 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.

(g) Legal challenge:

As legal challenge issued by the Christian Labour Association of Canada and the General Workers Union of Canada regarding the use of labour on the project is continuing against the Company.

Management does not believe that there will be significant cost to the Company, however the results are not determinable at this time. Any costs resulting from this legal action will be recognized in the period in which the result is determined.

(h) Municipal Integration Fund:

The Treasury Board has approved the construction of additional scope items under the Municipal Integration Fund subject to the execution of the cost sharing agreement between the Province and Greater Vancouver Transportation Authority.

11. Subsequent events:

Subsequent to the year end a contract was signed with Dominion Construction Company Inc. for approximately \$8 million relating to the construction of Sapperton Station.

RAPID TRANSIT PROJECT 2000 LTD.

Schedule of Construction-in-Progress

Year ended March 31, 2000, with comparative figures for 1999

	Year ended March 31, 2000	Period ended March 31, 1999
Costs incurred to date		
SkyTrain Extension:		
Systems	\$ 184,096,011	\$ -
Lines	113,063,200	2,496
Deposits on vehicles	103,810,599	103,713,400
Design	16,013,728	7,695,396
Public consultation	3,253,300	1,565,827
Property management	1,920,860	310,655
Project controls	3,580,337	1,379,013
Engineering and design management	5,374,119	1,753,494
Construction management	1,622,559	45,327
Insurance	2,112,208	900,000
Interest	21,061,863	2,369,505
Other	2,154,467	757,291
GST	9,095,240	3,401,417
Operations and Maintenance Centre	4,404,939	-
Deferred project costs:		
Municipal Integration Fund	783,055	-
Systems upgrade	40,294,260	-
Coquitlam Pre-build	1,270,684	-
	\$ 513,911,429	\$ 123,893,821