

Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Years ended March 31, 2003 and 2002

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2003 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, 2003 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.

Chartered Accountants

New Westminster, Canada
May 9, 2003

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2003 and 2002

	2003	2002
Assets		
Cash	\$ 2,532,266	\$ 546,238
Accounts receivable	2,510,147	5,175,149
Due from related parties (note 6)	431,560	560,463
Due from Greater Vancouver Transportation Authority (note 3)	5,827,557	39,420,610
Goods and Services Tax receivable	473,103	175,739
Capital assets (note 4)	1,008,066,283	1,008,334,627
Deferred charges (note 5)	2,097,571	11,516,704
Deposits and interest accrued on behalf of Greater Vancouver Transport Authority for vehicles to be transferred	-	14,188,680
	\$ 1,021,938,487	\$ 1,079,918,210

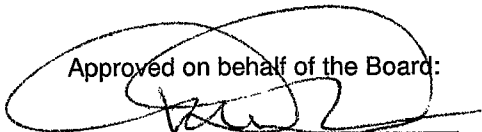
Liabilities and Share Capital

Accounts payable and accrued liabilities	\$ 9,741,942	\$ 18,654,099
Due to related parties (note 6)	54,534	916,647
Lien holdbacks	208,236	4,409,005
Fiscal agency loan (note 7)	3,518,133	47,109,341
Deferred capital and pre-operating contributions (note 8)	919,519,530	920,805,599
Accrued interest on deferred capital and pre-operating contributions	88,896,111	88,023,518
Share capital (note 9)	1	1
	\$ 1,021,938,487	\$ 1,079,918,210

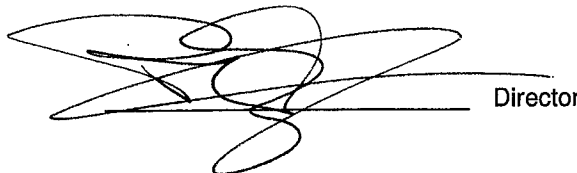
Commitments and contingencies (note 10)

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, 2003 and 2002

	2003	2002
Revenue:		
Amortization of deferred capital and pre-operating contributions	\$ 59,597,248	\$ 31,025,301
Expenses:		
Amortization of capital assets	46,827,967	1,490,762
Amortization of deferred charges	12,769,281	29,534,539
	59,597,248	31,025,301
Net earnings	\$ -	\$ -

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flows

Years ended March 31, 2003 and 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Net earnings	\$ -	\$ -
Non-cash items:		
Amortization of deferred capital and pre-operating contributions	(59,597,248)	(31,025,301)
Amortization of capital assets	46,827,967	1,490,762
Amortization of deferred charges	12,769,281	29,534,539
	-	-
Investments:		
Capital assets additions	(46,559,623)	(209,622,261)
Increase in deferred charges	(3,350,148)	(6,536,973)
Decrease in deposits and interest accrued on behalf of GVTA	14,188,680	48,563,989
	(35,721,091)	(167,595,245)
Financing:		
Decrease (increase) in accounts receivable	2,665,002	(3,865,417)
Decrease (increase) in due from related parties	128,903	(560,463)
Decrease (increase) in GST receivable	(297,364)	23,927,664
Decrease in due from GVTA	33,593,053	20,939,184
Decrease in accounts payable and accrued liabilities	(8,912,157)	(6,102,168)
Increase (decrease) in due to related parties	(862,113)	259,813
Decrease in lien holdbacks	(4,200,769)	(3,073,090)
Increase in fiscal agency loan	13,831,174	17,798,938
Repayments of fiscal agency loan	(57,422,382)	(84,516,168)
Increase in deferred capital and pre-operating contributions	58,311,179	174,262,906
Increase in accrued interest on deferred capital and pre-operating contributions	872,593	25,881,815
	37,707,119	164,953,014
Increase (decrease) in cash	1,986,028	(2,642,231)
Cash, beginning of year	546,238	3,188,469
Cash, end of year	\$ 2,532,266	\$ 546,238

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

1. Rapid Transit Project 2000 Ltd.:

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

Based on the Protocol Agreement with the Province, as represented by the Minister of Finance and 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. 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 following methods and annual rates:

Asset	Basis	Rate
Computer software	Straight-line	3 years
SkyTrain extension	Straight-line	40 years
Vehicles	Straight-line	25 years

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

2. Significant accounting policies (continued):

(c) Deferred charges:

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

Pre-operating costs relating to the construction of the Skytrain Extension are deferred until the related assets are ready for revenue service at which time the costs are charged to operations. Deferred costs relating to a definition stage are deferred until the project is approved.

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

(d) Deferred capital and pre-operating contributions:

The Company is following the deferred method of accounting for contributions. Accordingly, capital and pre-operating contributions from the Ministry of Finance are recognized as revenue in the year in which the related expenditures are recognized. 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.

(e) 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. 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 capital and pre-operating contributions. Actual results could differ from these estimates.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

3. Due from Greater Vancouver Transportation Authority:

	2003	2002
Municipal Integration Fund:		
Costs receivable	\$ 1,553,904	\$ 602,892
GST receivable	108,773	42,202
	<u>1,662,677</u>	<u>645,094</u>
Systems Upgrades:		
Costs receivable	748,440	4,269,653
GST receivable	52,391	231,792
	<u>800,831</u>	<u>4,501,445</u>
Lake City Project Management:		
Costs receivable	59,614	-
GST receivable	4,173	-
	<u>63,787</u>	<u>-</u>
Vehicles delivered:		
Costs receivable	3,084,357	32,031,842
GST receivable	215,905	2,242,229
	<u>3,300,262</u>	<u>34,274,071</u>
Total	\$ 5,827,557	\$ 39,420,610

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

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Construction-in-progress ("CIP") (schedule)	\$ -	\$ -	\$ -	\$ 172,573,794
Land under CIP	-	-	-	2,466,972
Completed construction (schedule)	1,025,248,339	48,318,729	976,929,610	805,911,377
Land in use	31,136,673	-	31,136,673	27,382,484
Computer software	736,913	736,913	-	-
	<u>\$ 1,057,121,925</u>	<u>\$ 49,055,642</u>	<u>\$ 1,008,066,283</u>	<u>\$ 1,008,334,627</u>

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

4. Capital assets (continued):

Included within capital assets is \$19.2 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, \$9.5 million, is registered in the Company's name.

Completed construction includes other project costs consisting of municipal integration costs, systems updates 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 100% of the system upgrades costs. The Province is advancing funding against the Coquitlam Extension against an approved value of \$29.3 million.

As at March 31, 2003, the Company has \$4.0 million remaining to be recovered for the Municipal Integration Fund and up to \$7.1 million remaining to be recovered for the systems upgrades.

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

The Company has a \$4.6 million letter of financial security from Bombardier relating to the Electrical and Mechanical contract.

5. Deferred charges:

Costs incurred to date	2003	2002
Insurance	\$ 744,924	\$ 744,924
Amortization	736,913	736,913
Communications	5,594,023	5,561,080
Business development	4,156,116	4,057,516
Finance and administration	16,937,767	15,224,515
Definition phases	8,482,649	7,859,464
Taxes	914,367	816,084
Other	6,834,632	6,050,747
	44,401,391	41,051,243
Accumulated amortization of deferred charges relating to assets ready for revenue service	42,303,820	29,534,539
	\$ 2,097,571	\$ 11,516,704

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

6. Related party transactions:

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

	2003	2002
Ministry of Finance	\$ 183,580	\$ 278,049
BC Transit	-	547,838
BC Transportation Financing Authority	11,388	104,000
Highway Constructors Limited	-	1,321,834

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, 2003 with related parties:

	2003	2002
Due from:		
BC Transportation Financing Authority	\$ 431,560	\$ 560,463
Due to:		
BC Transit	\$ -	\$ -
BC Transportation Financing Authority	-	27,630
Ministry of Finance	54,534	48,676
Highway Constructors Limited	-	840,341
	\$ 54,534	\$ 916,647

The amount due from a related party is due on demand and has arisen from reimbursement of costs related to start up and Provincial negotiator activities. The amounts due to related parties are due on demand and have arisen from the secondment of staff.

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. 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 2.7%. The fiscal agency loan will be repaid as funding is received from the GVTA.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

8. Deferred capital and pre-operating contributions:

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

Borrowings incurred by the Province to fund the deferred capital and pre-operating contributions of the project are as follows:

	2003	2002
Short-term discounted notes	\$ 4,500,770	\$ 8,119,579
Long-term notes	1,022,742,946	960,450,841
Interest reinvestment (included in accrued interest on deferred capital and pre-operating contributions)	(17,101,638)	(16,739,520)
Amortization of deferred capital and pre-operating contributions	(90,622,548)	(31,025,301)
	<u>\$ 919,519,530</u>	<u>\$ 920,805,599</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 2.75%.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

8. Deferred capital and pre-operating 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
80,595,675	5.70%	June 1, 2007
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
12,288,900	5.49%	February 8, 2005
<hr/>		
\$1,022,760,633		

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 as follows:

	2003	2002
2004	\$ 49,000	\$ 11,000

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2003 and 2002

10. Commitments and contingencies (continued):

(b) Capital commitments:

As at March 31, 2003, the Company is committed, under a contract with Bombardier, to a further \$2.7 million of expenditures relating to the purchase of SkyTrain vehicles.

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

As at March 31, 2003, the Company is committed to future capital expenditures of approximately \$4.4 million for contracts currently entered into with respect to the SkyTrain Extension.

(d) Bombardier Inc.:

An agreement between the GVTA and Bombardier on an Operations and Maintenance contract was not reached, thus Bombardier elected to sell the Centre for Advanced Transit Systems (the "Centre") on reasonable commercial terms. As at March 31, 2003, the Province has agreed to purchase the Centre on behalf of the Company resulting in no financial consequences to the Company.

(e) Financial security:

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 which expired December 15, 2001 and were renewed until December 15, 2003.

(f) Contract changes under review:

At 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) Vancouver Community College Station:

On March 24, 2003, the Company's Board of Directors authorized the Company to proceed with the construction of the Vancouver Community College Station and tail-track guideway at an approved budget of \$25.5 million. In connection with this construction, the Board authorized the sale of certain surplus land to the City of Vancouver for \$2.5 million.

11. Comparative figures:

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

RAPID TRANSIT PROJECT 2000 LTD.

Schedules of Construction-in-Progress

Years ended March 31, 2003 and 2002

Costs incurred to date	2003	2002
SkyTrain Extension:		
Electrical and mechanical systems	\$ 232,423,209	\$ 220,998,240
Guideway	360,300,253	354,022,435
Stations	99,655,227	91,966,304
Systems wide elements	8,235,400	7,946,042
Deposits on vehicles	107,768,151	103,988,851
Design	25,813,563	24,931,588
Public consultation	4,375,856	4,323,191
Property management	4,602,967	4,136,357
Project controls	10,603,386	8,669,364
Engineering and design management	11,946,559	10,772,003
Construction management	17,159,070	14,947,238
Insurance	4,270,390	4,143,095
Interest	77,511,704	79,305,779
Other	11,159,280	7,501,164
Operations and Maintenance Centre	7,279,646	6,268,903
	<u>983,104,661</u>	<u>943,920,554</u>
Other project costs:		
Municipal Integration Fund:		
Costs	30,523,412	20,712,306
Amounts recovered from GVTA	(13,466,420)	(9,295,608)
Amounts recoverable from GVTA	(1,553,904)	(602,892)
	<u>15,503,088</u>	<u>10,813,806</u>
Systems upgrade:		
Costs	80,456,322	74,014,991
Amounts recovered from GVTA	(79,707,882)	(69,745,338)
Amounts recoverable from GVTA	(748,440)	(4,269,653)
	<u>26,640,590</u>	<u>25,241,573</u>
Coquitlam Pre-build	26,640,590	25,241,573
	<u>42,143,678</u>	<u>36,055,379</u>
	<u>\$ 1,025,248,339</u>	<u>\$ 979,975,933</u>
Consists of:		
Construction-in-progress	\$ -	\$ 172,573,794
Completed construction	1,025,248,339	807,402,439
	<u>\$ 1,025,248,339</u>	<u>\$ 979,975,933</u>