

Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Years ended March 31, 2005 and 2004



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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, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

U P M G LLP

Chartered Accountants

New Westminster, Canada
May 5, 2005

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2005 and 2004

| | 2005 | 2004 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,529,400 | \$ 1,251,705 |
| Accounts receivable | 167,001 | 267,329 |
| Due from related parties (note 5) | 54,065 | 1,004,340 |
| Due from Greater Vancouver Transportation Authority | 7,886 | 203,508 |
| Goods and Services Tax receivable | 95,970 | 233,529 |
| | <u>1,854,322</u> | <u>2,960,411</u> |
| Capital assets (note 3) | 980,000,230 | 992,436,935 |
| Design and project costs (note 4) | 1,602,479 | 808,814 |
| | <u>\$ 983,457,031</u> | <u>\$ 996,206,160</u> |


Liabilities and Shareholder's Equity

| | | |
|--|-----------------------|-----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,937,970 | \$ 2,767,948 |
| Due to related parties (note 5) | 61,914 | 67,131 |
| Lien holdbacks | 395,675 | 728,162 |
| Fiscal agency loan (note 6) | - | 160,131 |
| | <u>2,395,559</u> | <u>3,723,372</u> |
| Deferred contributions (note 7) | 945,829,451 | 957,438,650 |
| Shareholder's equity (note 8): | | |
| Contributed surplus | 35,232,020 | 35,044,138 |
| Share capital | 1 | - |
| | <u>35,232,021</u> | <u>35,044,138</u> |
| | <u>\$ 983,457,031</u> | <u>\$ 996,206,160</u> |

Commitments and contingencies (note 9)

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, 2005 and 2004

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Revenue: | | |
| Amortization of deferred contributions | \$ 26,751,768 | \$ 29,459,828 |
| Expenses: | | |
| Amortization of capital assets | 26,751,768 | 27,227,879 |
| Amortization of design and project costs | - | 2,231,949 |
| | <u>26,751,768</u> | <u>29,459,828</u> |
| Net earnings | \$ - | \$ - |

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flows

Years ended March 31, 2005 and 2004

| | 2005 | 2004 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Net earnings | \$ - | \$ - |
| Non-cash items: | | |
| Amortization of deferred contributions | (26,751,768) | (29,459,828) |
| Amortization of capital assets | 26,751,768 | 27,227,879 |
| Amortization of design and project costs | - | 2,231,949 |
| | - | - |
| Investments: | | |
| Capital assets additions | (14,315,063) | (11,598,531) |
| Increase in design and project costs | (793,665) | (943,192) |
| | (15,108,728) | (12,541,723) |
| Financing: | | |
| Decrease in accounts receivable | 100,328 | 2,242,818 |
| Decrease (increase) in due from related parties | 950,275 | (572,780) |
| Decrease in Goods and Services Tax receivable | 137,559 | 239,574 |
| Decrease in due from Greater Vancouver Transportation Authority | 195,622 | 5,624,049 |
| Decrease in accounts payable and accrued liabilities | (829,978) | (6,973,994) |
| Increase (decrease) in due to related parties | (5,217) | 12,597 |
| Increase (decrease) in lien holdbacks | (332,487) | 519,926 |
| Decrease in fiscal agency loan | (160,131) | (3,358,002) |
| Increase in deferred contributions | 15,000,876 | 13,616,122 |
| Increase in accrued interest on deferred contributions | 141,693 | - |
| Increase (decrease) in contributed surplus | 187,883 | (89,148) |
| | 15,386,423 | 11,261,162 |
| Increase (decrease) in cash | 277,695 | (1,280,561) |
| Cash, beginning of year | 1,251,705 | 2,532,266 |
| Cash, end of year | \$ 1,529,400 | \$ 1,251,705 |

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

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 ("VCC") 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 design and project costs.

(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, 2005 and 2004

2. Significant accounting policies (continued):

(c) Design and project costs:

Design and project costs 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, design and project costs, and deferred contributions. Actual results could differ from these estimates.

3. Capital assets:

| | | | 2005 | 2004 |
|---|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Construction-in-progress ("CIP") (schedule) | \$ 18,191,318 | \$ - | \$ 18,191,318 | \$ 6,391,438 |
| Completed construction (schedule) | 1,028,875,267 | 102,298,375 | 926,576,892 | 951,001,360 |
| Land in use | 35,232,020 | - | 35,232,020 | 35,044,137 |
| Computer software | 736,913 | 736,913 | - | - |
| | \$ 1,083,035,518 | \$ 103,035,288 | \$ 980,000,230 | \$ 992,436,935 |

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

3. 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, \$15.8 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.

As at March 31, 2005, the Company has \$1.0 million remaining to be recovered for future costs under the Municipal Integration Fund contract.

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.

4. Design and project costs:

| Costs incurred to date | 2005 | 2004 |
|----------------------------|--------------|------------|
| Communications | \$ 2,000 | \$ 2,000 |
| Finance and administration | 1,385,835 | 706,713 |
| Other | 214,644 | 100,101 |
| | \$ 1,602,479 | \$ 808,814 |

Design and project costs relate to the VCC Station and guideway project.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

5. Related party transactions:

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

| | 2005 | 2004 |
|--|------------|------------|
| Ministry of Finance | \$ 237,373 | \$ 226,100 |
| Vancouver Convention Centre Expansion Project Ltd. | 95,355 | 55,967 |
| BC Transportation Financing Authority | 56,175 | 37,603 |

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, 2005 with related parties:

| | 2005 | 2004 |
|--|-----------|--------------|
| Due from: | | |
| BC Transportation Financing Authority | \$ - | \$ 864,302 |
| Fraser Health Authority | - | 5,645 |
| Ministry of Finance | - | 2,805 |
| Ministry of Transportation | 918 | 24,643 |
| Partnerships British Columbia | - | 824 |
| Vancouver Convention Centre Expansion Project Ltd. | 53,147 | 106,121 |
| | \$ 54,065 | \$ 1,004,340 |
| Due to: | | |
| Ministry of Finance | \$ 54,600 | \$ 53,087 |
| Vancouver Convention Centre Expansion Project Ltd. | 7,314 | 14,044 |
| | \$ 61,914 | \$ 67,131 |

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

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

6. Fiscal agency loan:

At September 30, 2004, the fiscal agency loan was fully repaid. The fiscal agency loan represented 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 3). The fiscal agency loan was unsecured and comprised a series of short-term discounted notes which were continually rolled over. The notes bore interest at rates ranging from 2.00% to 3.15%. The fiscal agency loan was repaid as funding was received from the GVTA for the 20 new Mark II SkyTrain vehicles and for upgrades to the existing system.

7. 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, when 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:

| | 2005 | 2004 |
|--|----------------|----------------|
| Short-term discounted notes | \$ 2,744,456 | \$ 112,609 |
| Short-term interest capitalized and not refinanced through short-term notes | 332,482 | 312,383 |
| Long-term notes | 1,052,902,910 | 1,040,345,698 |
| Accrued interest on deferred contributions | 89,037,804 | 88,896,111 |
| Interest reinvestment (included in accrued interest on deferred contributions) | (17,122,037) | (17,101,638) |
| Amortization of deferred contributions | (146,834,144) | (120,082,376) |
| | 981,061,471 | 992,482,787 |
| Deferred contributions funded for land in use (note 3) | (35,232,020) | (35,044,137) |
| | \$ 945,829,451 | \$ 957,438,650 |

Interest during construction is being attributed by the Province at rates approximating 2.22% - 6.62%.

Deferred contributions funded towards the purchase of land have been shown as a direct increase to contributed surplus.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

8. Shareholder's equity:

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.

The contributed surplus consists of deferred contributions funded for land in use.

9. Commitments and contingencies:

(a) Operating lease commitments:

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

| | | |
|------|----|--------|
| 2006 | \$ | 57,031 |
| 2007 | | 7,510 |
| 2008 | | 7,510 |
| 2009 | | 1,877 |

(b) Construction-in-progress:

As at March 31, 2005, the Company is committed to future capital expenditures of approximately \$5.3 million for contracts currently entered into with respect to the SkyTrain Extension.

(c) Contract changes under review:

At March 31, 2005, 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.

10. 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.

Schedule of Construction Costs

Years ended March 31, 2005 and 2004

| Costs incurred to date | 2005 | 2004 |
|---|-------------------------|-------------------------|
| SkyTrain Extension: | | |
| Electrical and mechanical systems | \$ 232,643,350 | \$ 232,719,888 |
| Guideway | 361,640,467 | 361,174,480 |
| VCC Station and Guideway | 18,191,318 | 6,391,438 |
| Stations | 99,714,473 | 99,714,473 |
| Systems wide elements | 8,265,280 | 8,251,778 |
| Deposits on vehicles | 106,831,492 | 109,506,332 |
| Design | 26,216,474 | 26,212,446 |
| Public consultation | 4,375,856 | 4,375,856 |
| Property management | 5,335,441 | 4,982,605 |
| Project controls | 11,130,530 | 10,995,203 |
| Engineering and design management | 12,192,399 | 12,153,549 |
| Construction management | 17,512,643 | 17,507,205 |
| Insurance | 4,497,580 | 4,499,379 |
| Interest | 81,112,208 | 77,367,004 |
| Other | 11,325,641 | 11,313,387 |
| GST | - | - |
| Operations and Maintenance Centre | 7,279,646 | 7,279,646 |
| | <u>1,008,264,798</u> | <u>994,444,669</u> |
| Other project costs: | | |
| Municipal Integration Fund: | | |
| Costs | 32,049,124 | 31,432,088 |
| Amounts recovered from GVTA | (15,774,051) | (15,431,222) |
| Amounts recoverable from GVTA | - | (35,441) |
| | <u>16,275,073</u> | <u>15,965,425</u> |
| Less: MIF purchased land currently in use | (4,113,876) | (4,111,278) |
| | <u>12,161,197</u> | <u>11,854,147</u> |
| Systems upgrade: | | |
| Costs | 81,569,415 | 81,569,415 |
| Amounts recovered from GVTA | (81,569,415) | (81,569,415) |
| Amounts recoverable from GVTA | - | - |
| | <u>-</u> | <u>-</u> |
| Coquitlam Pre-build | 26,640,590 | 26,640,590 |
| | <u>38,801,787</u> | <u>38,494,737</u> |
| | <u>\$ 1,047,066,585</u> | <u>\$ 1,032,939,406</u> |
| Consists of: | | |
| Construction-in-progress | \$ 18,191,318 | \$ 6,391,438 |
| Completed construction | 1,028,875,267 | 1,026,547,968 |
| | <u>\$ 1,047,066,585</u> | <u>\$ 1,032,939,406</u> |