

Audited Consolidated Financial Statements of

PARTNERSHIPS BRITISH COLUMBIA INC.

For the Fiscal Year Ended March 31, 2008

Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2008, have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2008.

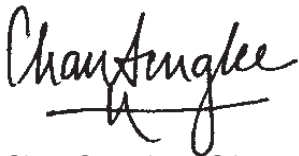
Management is responsible for the preparation of the consolidated financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors carries out its responsibility for the review of the consolidated financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Dunwoody LLP has performed an independent audit of the consolidated financial statements of Partnerships British Columbia Inc. The Auditors' report outlines the scope of their examination and expresses an opinion on the consolidated financial statements of Partnerships British Columbia Inc.



Larry Blain
President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
Assistant Vice President
Partnerships British Columbia Inc.



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Auditors' Report

**To the Board of Directors and Shareholder of
Partnerships British Columbia Inc.**

We have audited the Consolidated Balance Sheets of Partnerships British Columbia Inc. as at March 31, 2008 and the Consolidated Statements of Income and Retained Earnings 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 consolidated financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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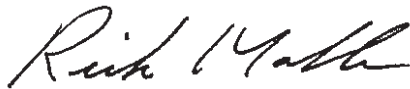
Vancouver, British Columbia
April 18, 2008

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Balance Sheets as at March 31**

	2008	2007
ASSETS		(Note 17)
Current assets		
Cash and cash equivalents (Note 4)	\$ 54,393,982	\$ 107,210,335
Accounts receivable	9,637,858	6,654,849
Other current assets	35,918	35,666
Total current assets	64,067,758	113,900,850
Property and equipment - office (Note 5)	419,304	321,422
Property and equipment - hospital (Note 6)	408,701,731	228,170,933
Deferred development costs (Note 7)	9,204,103	11,069,814
Total assets	\$ 482,392,896	\$ 353,463,019

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

APPROVED ON BEHALF OF THE BOARD



R.T. Mahler, Director



H. Calla, Director

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Balance Sheets as at March 31**

	2008	2007
LIABILITIES		(Note 17)
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,109,103	\$ 2,800,576
Total current liabilities	2,109,103	2,800,576
Loan payable (Note 12)	378,585,821	262,640,358
Deferred capital contribution (Note 8)	88,972,144	76,572,460
Total liabilities	469,667,068	342,013,394
SHAREHOLDER'S EQUITY		
Share capital		
Authorized		
5,000,000 common shares, no par value		
Issued		
2 common shares	2	2
Contributed surplus (Note 9)	7,152,726	7,152,726
Retained earnings	5,573,100	4,296,897
Total shareholder's equity	12,725,828	11,449,625
Total liabilities and shareholder's equity	\$ 482,392,896	\$ 353,463,019

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Statements of Income and Retained Earnings
for the Years Ended March 31**

	2008	2007
REVENUES		
Fees for services	\$ 6,944,578	\$ 6,087,822
Provincial government revenue	1,909,000	1,800,000
Other revenue	323,003	294,915
	<u>9,176,581</u>	<u>8,182,737</u>
EXPENSES		
Operating expenses		
Administration	379,677	355,674
Amortization	225,239	227,935
Building occupancy	506,050	539,297
Communications	41,782	24,502
Information systems	193,958	165,336
Professional services	377,042	420,179
Salaries and benefits	6,002,341	5,600,855
Travel	174,289	243,027
Total operating expenses	<u>7,900,378</u>	<u>7,576,805</u>
Operating income	1,276,203	605,932
Project recoveries	5,198,802	3,383,535
Project expenses (Note 10)	5,198,802	3,383,535
	<u>-</u>	<u>-</u>
Net income	1,276,203	605,932
Retained earnings, beginning of year	4,296,897	3,690,965
Retained earnings, end of year	<u>\$ 5,573,100</u>	<u>\$ 4,296,897</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Statements of Cash Flows for the Years Ended March 31**

	2008	2007
Operating activities		(Note 17)
Net income	\$ 1,276,203	\$ 605,932
Add:		
Amortization	225,239	227,935
	1,501,442	833,867
Changes in working capital items:		
Accounts receivable	326,718	323,494
Other current assets	(252)	36,704
Accounts payable and accrued liabilities	(691,473)	189,973
Deferred revenue	-	(65,000)
Cash provided by operating activities	1,136,435	1,319,038
Investing activities		
Decrease in long-term investment	-	709,350
Purchase of property and equipment - office	(323,121)	(195,764)
Increase in property - hospital	(50,469,550)	(102,838,151)
Increase in equipment - hospital	(55,392,502)	(34,358)
Deferred development costs	(1,444,016)	(1,545,421)
Cash (used) by investing activities	(107,629,189)	(103,904,344)
Financing activities		
Cash received for property - hospital	41,276,717	74,772,902
Cash received for equipment - hospital	-	83,500,000
Deferred capital contribution	12,399,684	21,070,647
Cash provided by financing activities	53,676,401	179,343,549
Increase (decrease) in cash and cash equivalents	(52,816,353)	76,758,243
Cash and cash equivalents, beginning of year	107,210,335	30,452,092
Cash and cash equivalents, end of year	\$ 54,393,982	\$ 107,210,335

The accompanying Notes to Consolidated Financial Statements are an integral part of these Statements.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****1. Nature of Business**

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Minister of Finance. The Company has been mandated to promote public private partnerships and to advise, support and, in some cases, manage the creation of public private partnerships and to carry out related activities. The mandate of the Company is to maximize the value to the Province of public capital assets, such as hospitals, educational facilities and highways and to minimize the cost and improve the quality of government services provided using these assets.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management.
- Provide advice to the Province and its agencies on public private partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful public private partnerships and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these emerging areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

The Company's wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC) (formerly Abbotsford Hospital and Cancer Centre Inc.) was incorporated under the *Company Act* on September 2, 2003 to enter into a public private partnership as the public sector partner for the building and operation of a hospital and cancer centre in Abbotsford, British Columbia. ARHCC is classified as a not-for-profit organization under Section 149(1)(l) of the *Income Tax Act*. As set out in Note 3 to the financial statements, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority upon completion of the project, which is expected to be May 6, 2008.

2. Summary of Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

a. Principles of Consolidation

The Consolidated Financial Statements include the accounts of Partnerships BC and its wholly-owned subsidiary ARHCC.

b. Short-Term Investments

Short-term investments comprise of highly liquid investments such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments and Canadian government securities with maturities of 90 days or less from date of purchase. Short-term investments are classified as held-for-trading financial instruments in accordance with the new requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments", adopted by the Company on April 1, 2007. These investments are recorded at fair value.

Prior to April 1, 2007, short-term investments were carried at the lower of original cost or market.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****c. Property and Equipment**

Property and equipment - office are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following annual rates:

■ Computer software	2 years
■ Computer hardware	3 years
■ Furniture and equipment	5 years
■ Leasehold improvements	5 years
■ Knowledge management	2 years
■ Website development	3 years

Construction in progress and ARHCC equipment will be amortized over their estimated useful lives when ARHCC commences operations.

d. Deferred Development Costs

Deferred development costs represent the direct development and overhead costs directly attributable to the development of ARHCC. These costs include pre-acquisition costs such as environmental studies, legal and other professional services, net of unrestricted interest earned. When the project is complete, these costs will form part of the capitalized cost of the asset.

e. Federal and Provincial Taxes

Partnerships BC is exempt from corporate income taxes; however, it is subject to the *Goods and Services Tax* (GST).

f. Revenue RecognitionProject Recoveries

Reimbursements of eligible expenses are recognized in the period the expenses are incurred.

Fees for Services

The Company provides professional services under fee for service, cost based and fixed price contracts. Work-in-progress is valued at estimated net realizable value. Under level of effort contracts, revenue is recognized as services are provided. For cost based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method

whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the projects. Losses, if any, on fixed price contracts are recognized during the period they are identified. The Company recognizes revenue when persuasive evidence of an agreement exists, the terms are fixed or determinable, services are performed and collection is probable.

Capital Contributions

The Company follows the deferral method of accounting for capital contributions. Contributions are deferred and are amortized to income at the same rate as the related capital asset.

g. Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

h. Comprehensive Income and Equity

Effective January 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 1530, "Comprehensive Income" and Section 3251, "Equity". These new accounting standards apply to fiscal years beginning on or after October 1, 2006.

- Section 1530 provides standards for reporting and display of comprehensive income, which is the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.
- Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in Section 3251 are in addition to Section 1530.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007**

The adoption of these new Handbook sections had no impact on the financial statements for the year ended March 31, 2008.

i. Financial Instruments

Effective April 1, 2007, the Company also adopted the new recommendations of the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861, "Financial Instruments – Disclosure and Presentation". These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Section 3855 requires financial instruments to be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading items in which case they are expensed as incurred. Section 3855 also requires that the embedded derivatives identified and separated from the related host contract and be

measured at fair value. Subsequent changes in fair value of embedded derivatives are recognized in the statement of operations in the period the change occurs.

Section 3861 establishes the requirements for presentation and disclosure of financial instruments and non-financial derivatives.

Upon adoption of these new standards, the Company has classified cash and cash equivalents as held-for-trading, accounts receivables as loans and receivables, and accounts payable and accrued liabilities and loan payable as other financial liabilities. The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities equate to their original carrying value due to their short-term nature. The loan payable has no stated interest rate and terms are closely tied to the public private partnership agreement and as such, a fair value cannot be reasonably determined.

j. Accounting Changes

In July 2006, the CICA revised Section 1506, "Accounting Changes", which now requires that: (i) a voluntary change in accounting principles can be made if, and only if, it is required by a primary source of generally accepted accounting principles or the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justifications for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The revised section is effective for the Company's financial year beginning April 1, 2007.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****k. Future Accounting Standards**

During the fourth quarter of 2006, the CICA issued three new accounting standards: CICA Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting periods beginning April 1, 2008.

Capital Disclosure section describes the standards for disclosing information about a company's objectives, policies and processes for managing capital, quantitative data about what a company regards as capital and whether a company has complied with any capital requirements and, if not, the consequences of such non-compliance. Financial Instruments – Disclosures requires disclosure on the face of the balance sheet of each of the financial instrument categories as well as additional disclosure regarding credit, market and liquidity risk faced by the Company. Financial Instruments – Presentation carried forward the guidance under Section 3861 with little change.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

3. Consolidation

Partnerships BC incorporated a wholly-owned subsidiary, ARHCC, under the *Company Act* on September 2, 2003 and commenced operations on that date to provide a single public entity to contract with the private sector partner.

ARHCC entered into a project agreement with the private sector partner on December 7, 2004. Under the agreement, the private sector partner will design, construct, finance, operate and maintain the hospital and cancer centre until the end of the term of the agreement. All payment obligations to the private sector partner are guaranteed by the Province.

Once the project is completed, expected to be May 6, 2008, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre (see Note 12).

These Consolidated Financial Statements include the accounts of ARHCC as follows:

	2008	2007
Current assets	\$ 52,248,232	\$ 102,556,172
Property and equipment - hospital	408,701,731	228,170,933
Deferred development costs	9,204,103	11,069,814
Total assets	<u>\$ 470,154,066</u>	<u>\$ 341,796,919</u>
Current liabilities	\$ 28,000	\$ 16,000
Deferred capital contribution	88,972,144	76,572,460
Loan payable	378,585,821	262,640,358
Net assets	<u>2,568,101</u>	<u>2,568,101</u>
Total liabilities and net assets	<u>\$ 470,154,066</u>	<u>\$ 341,796,919</u>

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****4. Cash and Cash Equivalents**

	2008	2007
Cash	\$ 8,170,096	\$ 7,035,926
Restricted cash	45,015,074	98,985,598
Short-term investments	1,208,812	1,188,811
	<u>\$ 54,393,982</u>	<u>\$ 107,210,335</u>

Restricted cash represents contributions from the Fraser Valley Regional Hospital District for construction costs in relation to the hospital and cancer centre (see Note 1). Restricted cash also includes an amount to procure the medical equipment for the hospital and cancer centre.

Short-term investments consist of liquid investments, such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments, and Canadian government securities with maturities of 90 days or less from the date of purchase.

Short-term investments totalling \$709,350 are pledged as security for one (1) (2007 – one (1)) letter of credit. Investments with maturities greater than one year are disclosed as long-term investment.

5. Property and Equipment - Office

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Computer software	\$ 278,658	\$ 198,631	\$ 80,027	\$ 54,712
Computer hardware	298,672	219,662	79,010	101,390
Furniture and equipment	152,016	89,582	62,434	32,345
Leasehold improvements	377,926	182,255	195,671	96,294
Knowledge management	97,382	95,220	2,162	36,681
Website development	18,398	18,398	-	-
	<u>\$ 1,223,052</u>	<u>\$ 803,748</u>	<u>\$ 419,304</u>	<u>\$ 321,422</u>

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****6. Property and Equipment - Hospital**

	2008	2007
Land	\$ 4,619,654	\$ 4,611,647
Construction in progress	348,655,217	223,524,928
Equipment	55,426,860	34,358
	<u>\$ 408,701,731</u>	<u>\$ 228,170,933</u>

Construction in progress is based upon the percentage of construction completed as certified by an independent third-party certifier, plus interest capitalized during construction.

The project is 99 per cent complete and the common shares of ARHCC will be transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008 (see Note 16). The total completion cost is estimated to be \$449 million.

7. Deferred Development Costs

Deferred development costs represent the accumulation of all planning costs, net of unrestricted interest earned directly attributable to the acquisition of the hospital and cancer centre (see Note 1).

8. Deferred Capital Contribution

Deferred capital contribution represents the contributions received from the Fraser Valley Regional Hospital District and reimbursements from the Ministry of Health for the Company's monthly operating costs. During the year, ARHCC received \$10,093,007 (2007 - \$18,600,000) in contributions from the Fraser Valley Regional Hospital District and \$1,411,374 (2007 - \$1,528,258) from the Ministry of Health.

9. Contributed Surplus

Partnerships BC was incorporated on October 26, 1977 (as Duke Point Development Limited) under the *Business Corporations Act*, formerly the *Company Act*, as a Crown corporation of the Province. In March 2002, Duke Point Development Limited transferred all its physical property to the Province and ceased all land development activities. In August 2002, as part of the restructuring of the Corporation, the Province, as shareholder, authorized the elimination of the accumulated deficit of Duke Point Development Limited, in the amount of \$29,786,662, by reducing the shareholder's contributed surplus of \$34,371,288 by a corresponding amount. The remaining balance of \$4,584,626 remains in contributed surplus of Partnerships BC.

In fiscal 2005, the Fraser Health Authority transferred a piece of land with a net book value of \$2,568,100 to the Company for nil consideration. The corresponding credit was made to contributed surplus.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****10. Project Expenses**

Project expenses represent costs, such as legal and consulting fees, incurred by Partnerships BC in connection with projects. The Company normally recovers these costs from its clients. Indirect and specific project costs ineligible for reimbursement are covered by provincial government revenue under the Public Private Partnerships Agreement between the Province and Partnerships BC, dated April 1, 2002.

Project expenses incurred during the year are as follows:

Project	2008	2007
Britannia Mine Water Treatment Plant	\$ 286	\$ 62,298
Children's & Women's Hospital	326,241	954,435
Fraser Health Authority	485,065	16,490
Gateway	1,207,079	1,070,322
Interior Health Authority	158,907	22,114
Kicking Horse Canyon	1,263	52,504
Partenaires public-privé Québec – General	130,091	102,143
Primary Care Access Centres	-	114,533
Vancouver Coastal Health Authority	82,112	122,742
Vancouver Island Health Authority	2,439,434	393,443
Others	368,324	472,511
	<u>\$ 5,198,802</u>	<u>\$ 3,383,535</u>

11. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2013.

The estimated payments are as follows:

Year	Amount
2009	\$ 491,365
2010	357,740
2011	165,381
2012	165,381
2013	68,909
	<u>\$ 1,248,776</u>

12. Loan Payable and Contractual Obligations

The expenditures made towards property and equipment - hospital are recorded as a loan payable. Partial repayments are made from contributions received from the Fraser Valley Regional Hospital District. These repayments are made on a quarterly basis. The financing terms are closely bound to the public private partnership agreement and as such there is no stated interest rate. An estimated interest rate of six per cent per annum was applied to determine the principal portion of the payments.

The public private partnership agreement provides for the private sector partner to operate and maintain the hospital and cancer centre from the time it reaches substantial completion, expected to be May 2008 until April 2038.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****12. Loan Payable and Contractual Obligations (continued)**

ARHCC will start making payments once the hospital and cancer centre reaches substantial completion. The estimated payments excluding any bonuses or penalties are as follows:

Year	Loan Payable	Facilities Management and Financing	Total
2009	\$ 4,788,699	\$ 31,490,301	\$ 36,279,000
2010	5,076,020	36,907,980	41,984,000
2011	5,380,582	37,442,418	42,823,000
2012	5,703,417	37,976,583	43,680,000
2013	6,045,622	38,507,378	44,553,000
Thereafter	351,591,481	1,121,089,519	1,472,681,000
	<u>\$ 378,585,821</u>	<u>\$ 1,303,414,179</u>	<u>\$ 1,682,000,000</u>

13. Employee Benefit Plan

The employees and employers of the public service contribute to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated an unfunded liability of \$767 million for basic pension benefits.

The next valuation will be as at March 31, 2008, with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The employees of Partnerships BC contributed \$272,590 (2007 - \$273,641) while Partnerships BC paid \$305,037 (2007 - \$306,236) in employer contributions to the Plan in fiscal 2008.

14. Related Parties

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at prevailing market prices and credit terms.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007**

The consolidated statements of income include the following transactions with related parties:

	2008	2007
Fees for services	\$ 5,973,194	\$ 5,217,059
Provincial government revenue	1,909,000	1,800,000
Other revenue	322,888	287,500
	<u>\$ 8,205,082</u>	<u>\$ 7,304,559</u>
Operating expenses:		
Information systems	\$ 45,865	\$ 67,006
Professional services	5,383	12,658
Other expenses	33,594	6,346
	<u>\$ 84,842</u>	<u>\$ 86,010</u>
Assets and liabilities with related parties as at March 31, 2008 were:		
Accounts receivable	\$ 2,631,344	\$ 3,734,000
Accounts payable and accrued liabilities	\$ 34,163	\$ 7,000

15. Financial Instruments**a. Interest Rate Risk**

Interest rate risk on cash and investments is limited due to the short-term nature of the investments held.

b. Credit Risk

Partnerships BC grants credit to its clients, the majority of whom are provincial government ministries, agencies and Crown corporations. Credit risk is limited due to the financial stability of these organizations.

16. Other Information

Pursuant to the ARHCC Share Transfer Agreement, on May 6, 2008, the Company will transfer the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

17. Prior Period Adjustment

In the prior year, cash held in trust by the private sector partner for the Company to be used for hospital and cancer centre equipment purchases was not reported in the Company's financial statements. These financial statements now disclose these amounts and the comparative figures have been adjusted to also disclose these amounts. Related to this change, interest earned on these funds held in trust has been recorded as an accounts receivable.

The impact of this adjustment is to:

- Increase cash and cash equivalents in the prior year by \$83,465,642.
- Increase accounts receivable in the prior year by \$2,790,432.
- Increase property and equipment in the prior year by \$34,358.
- Decrease deferred development costs in the prior year by \$2,790,432.
- Increase loan payable in the prior year by \$83,500,000.

There was no impact to the revenues, expenses, net income or retained earnings of the Company.

Information on Subsidiaries

Abbotsford Regional Hospital and Cancer Centre Inc.

Project description and vision

The Abbotsford Regional Hospital and Cancer Centre is planned as a state-of-the-art 300-bed capacity replacement for the aging MSA Hospital in Abbotsford. This project will be an important regional referral hospital for the Fraser Valley and the fifth regional centre in the BC Cancer Agency's provincial cancer control network. The Abbotsford Regional Hospital and Cancer Centre is the first hospital public private partnership project in the history of British Columbia.

The project involves a 30-year performance-based agreement between the public and private sectors. The public sector (the Fraser Health Authority and the Provincial Health Services Authority) will provide all clinical services and the private sector will finance, design and construct the hospital and cancer centre, and maintain the building through the provision of facility management services such as housekeeping, laundry and food. The performance-based partnership agreement specifies high quality standards the private sector must meet otherwise they are subject to financial penalties.

The project vision is:

"Together we will create an innovative environment that inspires caring and the pursuit of knowledge and excellence."

Mission

Abbotsford Regional Hospital and Cancer Centre Inc. (the Company) is responsible for the procurement of the Abbotsford Regional Hospital and Cancer Centre from the competitive process through to the commissioning of the facility, at which point it will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30-year operations phase of the project.

Location of Operations

32900 Marshall Road
Abbotsford, British Columbia

Governance Structure

Abbotsford Regional Hospital and Cancer Centre Inc. was established under the *Business Corporations Act* as the public sector decision making and contractual vehicle for the purposes of the public private partnership.

The Company has a five member Board of Directors, including representatives from Partnerships BC, the Ministry of Health, the Fraser Health Authority and the Provincial Health Services Authority. In addition, the Fraser Valley Regional Hospital District, which is contributing \$71 million toward the capital cost of the project, is represented at the Board in an observer capacity.

Following substantial completion of the project, expected to be May 6, 2008, the shares of the Company will be transferred from Partnerships BC to the Fraser Health Authority and the Provincial Health Services Authority.

"Hospital and cancer centre a model in sustainability."

Sounding Board
June-July 2007

Operations and Results

It has been an extremely successful year for Abbotsford Regional Hospital and Cancer Centre Inc.

Following execution of the Project Agreement on December 7, 2004, intensive schematic design and design development work commenced in a highly consultative fashion and concluded in August 2005. Since that time, clinical programming and planning has been undertaken. In addition, the procurement of equipment for the hospital and cancer centre commenced and was concluded by March 2008. Extensive planning has been undertaken by the health authorities to prepare for the patient move-in date towards the end of the summer. In addition, both health authorities have engaged in recruitment campaigns for the new hospital and cancer centre. As of March 2008, the facility is 99 per cent complete and the project has remained on time, on budget and within the agreed to scope – an unprecedented achievement for a health care facility of this size and complexity.

In Budget 2008, the Province introduced new guidelines for accounting and reporting the capital cost and operating expense associated with public private partnership projects. From now on, certain expenses like interest during construction and project management costs will be included in the capital cost. Under these new accounting guidelines, the capital cost of the Abbotsford Regional Hospital and Cancer Centre is listed at \$449 million. The fixed construction and equipment cost of the facility is \$355 million.

The new hospital and cancer centre will provide:

- \$84 million in state-of-the-art diagnostic equipment and technology.
- New and enhanced health programs and services for residents of the Fraser Valley.
- A healthy, healing and inviting environment for patients, staff and visitors.
- A sustainable and energy efficient building.

The Abbotsford Regional Hospital and Cancer Centre will be open for patients by the end of summer 2008.

Financial Results

The financial results of Abbotsford Regional Hospital and Cancer Centre Inc. can be found under Note 3 to the Partnerships British Columbia Inc. audited consolidated financial statements.

Assets

Cash and cash equivalents decreased by \$53,970,524 from \$99,694,948 as at March 31, 2007 to \$45,724,424 as at March 31, 2008. The breakdown of cash and cash equivalents for 2008 was as follows: \$45,015,074 in restricted cash and \$709,350 in short-term investments. In comparison, the breakdown for 2007 was as follows: \$98,985,598 in restricted cash and \$709,350 in short-term investments. The decrease in restricted cash was due to the procurement of medical equipment. Of the \$83,500,000 in the medical equipment account, \$28,073,140 was not spent as at March 31, 2008.

Accounts receivable relates to a GST receivable and accrued interest receivable.

Property and equipment consists of land, construction in progress and equipment. Construction in progress is based upon the percentage of construction completed as certified by an independent third party certifier, plus interest capitalized during construction. The project is 99 per cent complete and the common shares of Abbotsford Regional Hospital and Cancer Centre will be transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008. The project is on budget and on schedule and there have been no delays or net change orders during the construction process.

Deferred development costs represent the direct development and overhead costs or operating costs (i.e. salaries and benefits to staff and professional fees to contractors), net of unrestricted interest earned directly attributable to the Abbotsford Regional Hospital and Cancer Centre project. Deferred development costs: Abbotsford Regional Hospital and Cancer Centre's project expenses increased by \$1,444,016, offset by unrestricted interest earned of \$3,309,727 which resulted in a balance of \$9,204,103 as at March 31, 2008.

Liabilities and Net Assets

Loan payable increased by \$115,945,463 during the year to reflect the change in accounting for Abbotsford Regional Hospital and Cancer Centre's construction in progress. In Q4 of fiscal 2007-08, in accordance with new accounting guidelines adopted by the Province, the Company changed its accounting policy and based its construction in progress on the total value of the contract, which includes all related interest costs during construction.

Deferred capital contribution represents contributions received from the RHD and reimbursements from the Ministry of Health for Abbotsford Regional Hospital and Cancer Centre Inc.'s monthly operating costs. During the year, the RHD contributed \$10,093,007 (2007 - \$18,600,000) and \$1,411,374 (2007 - \$1,528,258) was received from the Ministry of Health, resulting in a balance of \$88,972,144 as at March 31, 2008.

FTE Count

Abbotsford Regional Hospital and Cancer Centre Inc. has no full-time equivalents.



Abbotsford Regional Hospital and Cancer Centre