Financial Statements of

PROVIDENCE HEALTH CARE

Year ended March 31, 2008

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Financial Statements of Providence Health Care for the year ended March 31, 2008 have been prepared by management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Resource Accountability Committee of the Board. The Committee meets regularly with management and the internal auditor.

The internal auditor has the responsibility for assessing the management systems and practices of Providence Health Care.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of Providence's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Resource Accountability Committee of the Board and meet with it on a regular basis.

On behalf of Providence Health Care

Dianne Doyle
President and Chief Executive Officer

Mary Proctor
Vice President Finance and Corporate Affairs

Vancouver, Canada

May 14, 2008

KPMG LLP
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AUDITORS' REPORT

To the Board of Directors of Providence Health Care

We have audited the statement of financial position of Providence Health Care as at March 31, 2008 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of Providence Health Care'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 Providence Health Care 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.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 14, 2008

PROVIDENCE HEALTH CARE

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2008, with comparative figures for 2007

	2008	2007 (restated – note 20)
Assets		
Current assets:		
Cash and cash equivalents	$ 14,334	$ 16,726
Short-term investments (note 2)	21,084	17,454
Accounts receivable (note 3)	34,771	21,860
Inventories of materials and supplies	6,485	6,081
Prepaids	4,691	3,229
	81,365	65,350
Long-term investment (note 4)	729	972
Capital assets (note 5)	198,917	187,461
	$ 281,011	$ 253,783
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 78,155	$ 62,614
Deferred operating contributions	3,014	3,400
Deferred contributions for designated purposes (note 7)	10,069	9,305
Current portion of obligations under capital leases	-	74
Current portion of retirement allowance (note 11(a))	2,632	2,674
Current portion of long-term disability benefits (note 11(b)(i))	1,548	1,249
	95,418	79,316
Retirement allowance (note 11(a))	27,152	25,867
Long-term disability benefits (note 11(b)(i))	4,393	7,775
Reserves (note 10)	261	352
Deferred capital contributions (note 8)	213,221	192,886
	340,445	306,196
Net assets (deficiency):		
Invested in capital assets (note 9(a))	21,041	14,527
Unrestricted	(80,475)	(66,940)
	(59,434)	(52,413)
Commitments and contingencies (note 12)		
	$ 281,011	$ 253,783

See accompanying notes to financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

PROVIDENCE HEALTH CARE

Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(restated - note 20)
Revenues:		
Vancouver Coastal Health Authority contributions	$ 410,545	$ 385,530
Pharmacare	69,254	63,991
Medical Services Plan	53,232	51,082
Patients, clients and residents (note 13)	23,320	22,819
Investment income	1,053	1,168
Amortization of deferred capital contributions	26,669	18,956
Other (note 14)	25,189	18,972
Designated contributions	4,178	4,311
	613,440	566,829
Expenses:		
Compensation and benefits	386,002	360,614
Supplies (note 15)	145,003	140,479
Sundry	18,058	16,448
Equipment and building services	15,668	12,649
Referred out and contracted services (note 16)	24,260	24,429
Depreciation of capital assets	27,292	19,417
Designated expenses	4,178	4,311
	620,461	578,347
Deficiency of revenues over expenses	$ (7,021)	$ (11,518)

See accompanying notes to financial statements.

PROVIDENCE HEALTH CARE

Statement of Changes in Net Assets (Deficiency)
(Expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets	Unrestricted	Total 2008	Total 2007 (restated - note 20)
Balance, beginning of year	$ 14,527	$ (66,940)	$ (52,413)	$ (40,895)
Deficiency of revenues over expenses	(623)	(6,398)	(7,021)	(11,518)
Transfer to invested in capital assets (note 9(c))	7,137	(7,137)	-	-
Balance, end of year	$ 21,041	$ (80,475)	$ (59,434)	$ (52,413)

See accompanying notes to financial statements.

PROVIDENCE HEALTH CARE

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (restated - note 20)
Cash flows from operating activities:		
Deficiency of revenues over expenses	$ (7,021)	$ (11,518)
Items not involving cash:		
Depreciation of capital assets	27,292	19,417
Amortization of deferred capital contributions	(26,669)	(18,956)
Net change in non-cash operating items (note 18)	(789)	4,226
	(7,187)	(6,831)
Cash flows from investing activities:		
Net change in short-term investments	(3,630)	3,800
Purchase of capital assets	(38,748)	(28,495)
Proceeds from long-term investment	243	243
	(42,135)	(24,452)
Cash flows from financing activities:		
Capital contributions	47,004	26,687
Repayment of capital leases	(74)	(285)
	46,930	26,402
Decrease in cash and cash equivalents	(2,392)	(4,881)
Cash and cash equivalents, beginning of year	16,726	21,607
Cash and cash equivalents, end of year	$ 14,334	$ 16,726
Cash and cash equivalents are comprised of:		
Cash	$ 6,483	$ 7,020
Marketable securities	7,851	9,706
	$ 14,334	$ 16,726

Supplemental information (note 18)

See accompanying notes to financial statements.

Providence Health Care (Providence) is incorporated under the Society Act (British Columbia) and is funded by the Ministry of Health (the Ministry). Providence is a not-for-profit organization and is a registered charity under the Income Tax Act, and as such, is exempt from income and capital taxes.

Providence, situated in central Vancouver, provides acute care, geriatric rehabilitation, continuing care, and other tertiary care services to the residents of Greater Vancouver Regional Area and other residents of British Columbia. Providence has clinical operations on seven different sites: St. Paul's Hospital, Holy Family Hospital, Mount Saint Joseph Hospital, Brock Fahrni Pavilion, St. Vincent's Langara, Youville Residence, and Marion Hospice.

Providence is a strategic partner with Vancouver Coastal Health Authority (VCHA). The formal relationship is delineated within an Affiliation Agreement signed by the respective parties on June 16, 1998. The Affiliation Agreement establishes Accountability Provisions, Operating Principles, Funding Guidelines, Dispute Mechanism, and Termination Rights between Providence and VCHA. Providence is dependent upon the Ministry and VCHA to provide sufficient funding to continue operations, to replace equipment and to complete other capital projects.

The financial statements do not include the assets, liabilities, revenues, and expenses of the related Foundations and Providence Health Care Research Institute Trust (note 17).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

Providence follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, Providence is funded primarily by the Province of British Columbia in accordance with budget arrangements established and approved by the Ministry and VCHA. Approved operating contributions are provided to Providence by the Ministry through VCHA and are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated.

1. **Significant accounting policies (continued):**

(c) Asset and service contributions:

Volunteers contribute a significant amount of their time each year to assist Providence in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(d) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are treated as cash and cash equivalents.

(e) Short-term investments:

The short-term investments include banker's acceptances, treasury bills and bonds and are recorded at fair value with changes in fair value recognized in the statement of operations.

(f) Inventories of materials and supplies:

Inventory, consisting mostly of drugs and supplies, is recorded at weighted average cost.

(g) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Providence records depreciation on its assets on a straight-line basis over the useful life of the assets as follows:

Buildings	20 – 50 years
Equipment	5 – 20 years

(h) Asset retirement obligations:

Providence recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises, resulting from acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

1. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include: valuation of accounts receivable and inventory; the determination of obsolescence and useful lives of capital assets for depreciation and revenue from capital contributions; accrued liabilities; commitments and contingencies; long term disability benefits; and retirement allowance. Actual results could differ from the estimates.

(j) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined benefit plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2007 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2007 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multiemployer defined benefit plans and, accordingly, contributions are expensed.

1. Significant accounting policies (continued):

(k) Financial instruments:

During the year, Providence adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation* to account for its financial assets and financial liabilities. These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held-for-trading.

Subsequent measurement and changes in fair value will depend on initial classification. Held for trading assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings. Available for sale investments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the investment is re-recognized or other than temporarily impaired at which time the amounts would be recorded in net earnings.

These sections also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of (i) unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in net assets until the financial asset is derecognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The adoption of these sections did not result in a material adjustment to opening net assets.

(l) Future accounting changes:

On December 1, 2006, the Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards: Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862), and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863). These new standards become effective for Providence on April 1, 2008.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Providence is currently evaluating the impact of these accounting standards for fiscal year 2009.

(Expressed in thousands of dollars)

2. Financial Instruments:

Providence's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, long-term disability liabilities, and accrued retirement allowance liabilities. It is management's opinion that Providence is not exposed to significant interest, currency or credit risks arising from these financial instruments. Short-term instruments are carried at fair value. The fair values of the remaining instruments approximate their carrying values, except for the fair value of accrued retirement allowance liabilities and accrued long-term disability liabilities and assets, which are disclosed in note (11), and long-term investments and certain accounts receivable which are recorded at amortized cost.

3. Accounts receivable:

	2008	2007
Vancouver Coastal Health Authority	$ 3,925	$ 3,449
Patient fees	6,579	5,651
Pharmacare	5,280	3,984
Promissory note	7,500	-
Other	12,152	9,532
Grants and sundry receivables	1,646	1,107
	37,082	23,723
Allowance for doubtful accounts	(2,311)	(1,863)
	$ 34,771	$ 21,860

The promissory note was signed with the Vancouver Esperanza Society in October 2007 and is payable on demand. The note earned interest at a rate of 5.25% during 2008.

4. Long-term investment:

During December 1998, Providence advanced funds for the repayment of the $2,430 debt owing to the Province of British Columbia relating to the St. Paul's Hospital parkade. Providence's investment in the parkade is represented as a receivable from The Providence Parkade Trust (the Trust). The receivable earned interest at a rate of 5.5% during fiscal 2008. 10% of the initial receivable has been received each year since fiscal 2002.

The Trust was created by agreement between Providence and the St. Paul's Hospital Foundation of Vancouver. The Trust has beneficial ownership of the parkade and earns the associated revenue. Net earnings of the Trust are dispersed at the discretion of the trustees.

(Expressed in thousands of dollars)

5. Capital assets:

	Cost	Accumulated depreciation	2008 Net book value	2007 Net book value
Land and land improvements	$ 10,523	$ 247	$ 10,276	$ 10,276
Buildings	238,886	133,902	104,984	110,015
Leasehold improvements	4,374	2,390	1,984	1,451
Equipment	174,273	122,158	52,115	41,504
Construction in progress	29,558	-	29,558	24,215
	$ 457,614	$ 258,697	$ 198,917	$ 187,461

Included in equipment are items under capital lease with a cost of $16,499 and accumulated amortization of $16,480 (2007 - $17,042 and $16,922 respectively).

Providence has ten different sites and clinical operations are conducted on seven of those sites. It owns three sites: St. Paul's, Mount Saint Joseph, and St. Vincent's Langara.

Providence has land lease arrangements with the following sites:

(a) St. Vincent's Heather:

75 year lease from the Catholic Charities of the Archdiocese of Vancouver which commenced March 31, 2000. Initial 40 year term with renewals, at the option of Providence, of 20 and 15 year terms at an annual lease fee of $1 for all terms.

(b) Holy Family:

75 year lease from the Sisters of Providence of St. Vincent de Paul of Kingston in British Columbia which commenced March 31, 2000. Initial 40 year term with renewals, at the option of Providence, of 20 and 15 year terms at an annual lease fee of $1 for all terms.

(c) Brock Fahrni:

Brock Fahrni operates on Children's and Women's Health Centre of British Columbia Branch site. The lease relating to Brock Fahrni is for 20 years which commenced February 1, 1999 at a total lease fee of $1.

(d) Youville:

20 year lease from the Grey Sisters of the Immaculate Conception which commenced October 7, 1999 at an annual lease fee of $1.

(Expressed in thousands of dollars)

6. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable and accrued liabilities	$ 45,614	$ 32,231
Accrued salaries and benefits	18,385	16,617
Accrued vacation pay	14,156	13,766
	$ 78,155	$ 62,614

7. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations for specified purposes. Recognition of deferred contributions is recorded as revenue in the statement of operations when the related expenses are incurred.

	2008	2007
Balance, beginning of year	$ 9,305	$ 7,822
Amount received for designated purposes	4,942	5,794
Amount recognized as revenue	(4,178)	(4,311)
Balance, end of year	$ 10,069	$ 9,305

8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Deferred capital contributions, beginning of year	$ 192,886	$ 185,155
Capital contributions received:		
Vancouver Coastal Health Authority	31,401	20,295
St. Paul's Hospital Foundation	4,262	1,647
Government of Canada	-	1,700
Tapestry Foundation for Health Care	6,749	1,712
Providence Health Care Research Institute Trust	1,168	-
Other	1,352	1,333
Profit participation from sale of St. Vincent's Arbutus	2,072	-
	47,004	26,687
Less amortization for the year	(26,669)	(18,956)
Balance, end of year	$ 213,221	$ 192,886

(Expressed in thousands of dollars)

8. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	$ 177,876	$ 172,860
Unspent contributions	35,345	20,026
	$ 213,221	$ 192,886

9. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 198,917	$ 187,461
Amounts financed by:		
Deferred capital contributions	(177,876)	(172,860)
Obligations under capital leases	-	(74)
	$ 21,041	$ 14,527

(b) Deficiency of revenues over expenses:

	2008	2007
Amortization of deferred capital contributions	$ 26,669	$ 18,956
Depreciation of capital assets	(27,292)	(19,417)
	$ (623)	$ (461)

(c) Transfer to invested in capital assets:

	2008	2007
Purchase of capital assets	$ 38,748	$ 28,495
Amounts funded by deferred contributions	(31,685)	(24,527)
Principal payments of obligations under capital leases	74	285
	$ 7,137	$ 4,253

(Expressed in thousands of dollars)

10. Reserves:

The reserves represent the accumulated provision specified by BC Housing Corporation and are discretionary funds for replacement of appliances and equipment for the benefit of Youville Residence.

The change in the reserves is calculated as follows:

	2008	2007
Balance, beginning of year	$ 352	$ 339
Provision for replacement reserve funding	6	6
Interest on replacement reserves	15	7
Expenses	(112)	-
	$ 261	$ 352

The reserves are represented by:

	2008	2007
Replacement reserve	$ 177	$ 271
Long-term care reserve	84	81
	$ 261	$ 352

11. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Providence's liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

(Expressed in thousands of dollars)

11. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about employee retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	$ 9,866	$ 10,080
Severance benefits	15,341	15,663
Total unfunded obligation	25,207	25,743
Unamortized amounts	4,577	2,798
Accrued retirement allowance benefits	29,784	28,541
Less current portion	2,632	2,674
Long-term portion	$ 27,152	$ 25,867
Retirement allowance expense	$ 3,119	$ 3,046
Benefits paid	1,875	1,300

The significant actuarial assumptions adopted in measuring Providence's retirement allowance liabilities are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

(b) Healthcare Benefit Trust benefit:

The Healthcare Benefit Trust (the Trust) administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claims for certain employee groups of Providence and other provincially funded organizations.

(*i*) Long-term disability benefits:

The Trust was restructured on March 31, 2004 from a multi-employer to a multiple-employer plan only with respect to long-term disability benefits initiated after September 30, 1997. Providence's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, Providence's net liabilities are reflected in these financial statements.

(Expressed in thousands of dollars)

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefit:

(*i*) Long-term disability benefits (continued):

Providence's March 31, 2008 liabilities are based on an actuarial valuation using an early measurement date of December 31, 2007 (2007 - December 31, 2006). The next required valuation will be as of December 31, 2008.

Information about the employee long-term disability benefits is as follows:

	2008	2007
Accrued benefit obligation	$ 31,949	$ 30,332
Fair value of plan assets	(21,381)	(17,893)
Net unfunded obligation, December 31	10,568	12,439
Balance of unamortized amounts	(1,850)	(1,380)
Contributions to the plan during January to March	(2,777)	(2,035)
Accrued long-term disability liabilities	5,941	9,024
Less current portion	1,548	1,249
Long-term portion	$ 4,393	$ 7,775
Long-term disability expense	$ 6,976	$ 6,091
Benefits paid	5,157	4,472

Plan assets consist of:

	2008	2007
Debt securities	61%	54%
Equity securities	19	20
Foreign equities	20	26
Total	100%	100%

(Expressed in thousands of dollars)

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefit:

(*i*) Long-term disability benefits (continued):

The significant actuarial assumptions adopted in measuring Providence's accrued long-term disability liabilities are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	5.50%	5.00%
Expected long-term rate of return on plan assets	6.75%	6.75%
Rate of benefit increase	2.50%	2.50%

(*ii*) Other trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multi-employer plan. Contributions to the Trust of $707 (2007 - $666) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2007 indicated a surplus of $41,089. The plan covers approximately 77,289 active employees of which approximately 3,466 are employees of Providence. The next required valuation will be as of December 31, 2008.
While the Trust has been restructured, Providence and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(c) Employee pension benefits:

Providence and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act.*

Employer contributions to the Municipal Pension Plan of $17,760 (2007 - $16,096) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of $438,000. The actuary does not attribute portions of the deficit or surplus to individual employers. The plan covers approximately 145,000 active employees of which approximately 4,457 are employees of Providence. The next required valuation will be as of December 31, 2009 with results available in 2010.

(Expressed in thousands of dollars)

12. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2009	$ 3,083
2010	2,915
2011	1,295
2012	1,041
2013	302
	$ 8,636

(b) Litigation and claims:

The nature of Providence's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2008, management is of the opinion that Providence has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on Providence's financial position. Outstanding contingencies are reviewed on an annual basis and are provided for based on management's best estimate of the ultimate settlement. Risk management and insurance services for Providence are provided by the Risk Management Branch of the Ministry of Finance.

(c) Asset retirement obligations:

Providence has not accrued asset retirement obligations for buildings that are owned and may contain asbestos that require special handling procedures as the fair value of the retirement obligations cannot be reasonably estimated due to indeterminable settlement dates for major renovations or demolitions of the buildings. The asset retirement obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

13. Patients, clients and residents:

	2008	2007
Federal government	$ 372	$ 354
Long-term care and extended care	8,974	8,853
Non-residents of British Columbia	4,751	4,676
Non-residents of Canada	4,800	4,590
Other	1,200	1,277
Preferred accommodation	674	587
Residents of British Columbia self pay	992	990
WorkSafe BC	1,557	1,492
	$ 23,320	$ 22,819

(Expressed in thousands of dollars)

14. Other revenue:

	2008	2007
Recoveries from other Health Authorities and government reporting entities	$ 12,303	$ 8,549
WCB payout	4,432	-
Other	8,454	10,423
	$ 25,189	$ 18,972

15. Supplies:

	2008	2007
Diagnostic	$ 9,817	$ 7,646
Drugs and medical Gases	79,244	73,660
Food and dietary	524	524
Housekeeping	614	579
Laundry and linen	1,318	2,538
Medical and surgical	40,319	40,567
Other	6,246	8,069
Plant operation	5,010	5,094
Printing, stationery and office	1,911	1,802
	$ 145,003	$ 140,479

16. Referred out and contracted services:

	2008	2007
Other Health Authorities and Government reporting entities	$ 1,436	$ 1,014
Private contractors	22,824	23,415
	$ 24,260	$ 24,429

(Expressed in thousands of dollars)

17. Related party operations:

(a) Foundations:

Providence has an economic interest in two foundations, as set out below, and has the ability to appoint some of the members of the Board of Directors of each of the foundations. The foundations are incorporated under the Society Act (British Columbia), are registered charities under the Income Tax Act, and were formed to raise funds to further the improvement of patient care at the respective sites of Providence.

Providence received donations of the following amounts during the year:

	2008	2007
St. Paul's Hospital Foundation	$ 4,262	$ 1,647
Tapestry Foundation for Health Care	6,749	1,712
	$ 11,011	$ 3,359

The net assets and results from operations of the foundations are not included in the financial statements of Providence. As at March 31, 2008, the foundations hold net assets of $35,345 (2007 - $39,714).

(b) Providence Health Care Research Institute Trust:

As at March 31, 2008, the Providence Health Care Research Institute Trust (Research Institute) includes 290 separate funds, the majority of which are medical research accounts, each with a specific purpose and under the control of an authorized person. Providence provides account processing services for the Research Institute.

The Research Institute funds are not available for use in Providence's activities and accordingly, the assets, liabilities, revenue, and expenses of these funds are not included in Providence's financial statements. The Research Institute's net assets at March 31, 2008 were $2,016 (2007 - $1,257) and revenue and expenditures for the year then ended were approximately $19,271 (2007 - $20,484) and $18,470 (2007 - $19,801).

(Expressed in thousands of dollars)

18. Statement of cash flows:

(a) Net change in non-cash operating items:

	2008	2007
Accounts receivable	$ (12,911)	$ 16,983
Inventories of materials and supplies	(404)	830
Prepaids	(1,462)	(526)
Accounts payable and accrued liabilities	15,541	(13,747)
Deferred operating contributions	(386)	239
Deferred contributions for designated purposes	764	1,483
Retirement allowance	1,243	1,747
Long-term disability benefits	(3,083)	(2,796)
Reserves	(91)	13
	$ (789)	$ 4,226

(b) Interest paid:

During the year Providence paid interest of $2 (2007 - $9).

19. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year's financial statement presentation.

20. Prior year restatement:

During the year, management determined that payroll accruals relating to vacation and overtime did not include any amount in respect of benefits such as Canada Pension Plan, Superannuation, Employment Insurance, and Workers Compensation. As a result, the financial statements have been restated on a retroactive basis. The effect of the restatement has been to increase accounts payable and accrued liabilities at March 31, 2007 by $1,633, reduce March 31, 2006 opening unrestricted net assets by $1,498 and increase the deficiency of revenues over expenses for the year ended March 31, 2007 by an amount of $135.