

Audited Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Year ended March 31, 2008



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AUDITORS' REPORT

To the Shareholder of Rapid Transit Project 2000 Ltd.

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2008 and the statements of earnings 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 financial statements present fairly, in all material respects, the financial position of the Company 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.

Chartered Accountants

Victoria, Canada

April 23, 2008

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheet

As at March 31	2008	2007
	(\$ 000s)	(\$ 000s)
Assets		
Current assets		
Cash	6,500	6,034
Accounts receivable	-	358
Due from related parties (note 4)	26	18
	6,526	6,410
Capital assets (note 5)	921,344	949,095
	927,870	955,505
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	5,656	5,675
Due to related parties (note 4)	-	-
	5,656	5,675
Deferred contributions (note 6)	869,128	896,879
Shareholder's equity		
Retained Earnings	135	-
Share capital and contributed surplus (notes 6, 7 and 8)	52,951	52,951
	927,870	955,505

Contingencies (note 9)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:



Director

RAPID TRANSIT PROJECT 2000 LTD.
Statement of Earnings and Retained Earnings

Year ended March 31	2008	2007
	(\$ 000s)	(\$ 000s)
Revenue		
Amortization of deferred contributions	27,751	27,865
Interest income	226	38
	27,977	27,903
Expenses		
Amortization of capital assets	27,751	27,751
General administrative	91	152
	27,842	27,903
Net earnings	135	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	135	-

The accompanying notes are an integral part of these financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statement of Cash Flows

Year ended March 31	2008	2007
	(\$ 000s)	(\$ 000s)
Cash provided by (used in)		
Operations		
Net earnings	135	-
Amortization of capital assets	27,751	27,751
Amortization of deferred contributions	(27,751)	(27,865)
Net changes in non-cash working capital	331	-
	466	(114)
Financing		
Prepaid capital advances	-	7,989
Net change in non-cash working capital related to capital transactions	-	4,989
	-	12,978
Investing		
Additions to capital assets	-	(8,000)
	-	(8,000)
Change in cash	466	4,864
Cash, beginning of year	6,034	1,170
Cash, end of year	6,500	6,034

The accompanying notes are an integral part of these financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements
Year ended March 31, 2008

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.

Effective December 20, 2005, the approved scope of the Millennium Line (the Line) was fully completed. On January 6, 2006, the final leg of Phase II, the VCC-Clark Station and guideway, was placed into revenue service. The Line is being operated under an interim use agreement by British Columbia Rapid Transit Company Ltd. (BCRTC), a subsidiary of the South Coast British Columbia Transportation Authority.

Currently, the Company is negotiating a long-term agreement for use of the Line with the South Coast British Columbia Transportation Authority.

2. Significant accounting policies:

(a) Basis of presentation:

Costs associated with the construction of the SkyTrain Extension were capitalized on an accrual basis to capital assets.

(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
SkyTrain Extension	40 years
Vehicles	25 years

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2008

2. Significant accounting policies (continued):

(c) 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.

(d) 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 and deferred contributions. Actual results could differ from these estimates.

3. Change in accounting policy:

Effective April 1, 2007, the Company adopted CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement* and related financial instrument Handbook sections.

Accounts receivable, accounts payable and accrued liabilities and amounts due to/from related parties are all initially recorded at fair value and then carried at amortized cost thereafter.

There was no impact to the opening retained earnings or current year operations as a result of this change in accounting policy.

On April 1, 2008, the Company will implement *CICA 3862, Financial Instruments - Disclosure*, and *CICA 3863, Financial Instruments - Presentation*. The adoption of these standards is not anticipated to have a significant impact on the Company's financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2008

4. Related party transactions:

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

(\$ 000s)	2008	2007
Ministry of Finance - interest income and recoveries	226	205
General administrative expenses:		
Ministry of Labour and Citizen's Services	16	-
Ministry of Transportation	30	-
Vancouver Convention Centre Expansion Project Ltd.	9	29

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, 2008 with related parties:

(\$ 000s)	2008	2007
Due from:		
Ministry of Finance	16	18
Vancouver Convention Centre Expansion Project Ltd.	10	-
	26	18
Due to:		
Ministry of Transportation	30	-

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Year ended March 31, 2008

5. Capital assets:

(\$ 000s)			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
SkyTrain Extension	911,275	(126,092)	785,183	807,431
Vehicles	115,681	(32,471)	83,210	88,713
Land in use	52,951	-	52,951	52,951
	1,079,907	(158,563)	921,344	949,095

Included within capital assets is \$21.2 million of land, which was expropriated under the *Expropriation Act* and has been registered in the name of BC Transit. A number of previous owners of expropriated land have challenged the expropriated value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, \$31.8 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 received reimbursement from the South Coast British Columbia Transportation Authority of \$16.0 million representing 50% of the Municipal Integration Fund costs and \$81.6 million for the costs of the system upgrades. As at March 31, 2008, there are no further projects forecasted under the Municipal Integration Fund contract.

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Notes to Financial Statements

Year ended March 31, 2008

6. 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.

The deferred contributions are comprised of:

(\$ 000s)	2008	2007
Opening balance	949,830	969,706
Additions	-	7,989
	949,830	977,695
Amortization	(27,751)	(27,865)
Closing balance	922,079	949,830
Consisting of:		
Deferred contributions	869,128	896,879
Contributed surplus (land)	52,951	52,951
	922,079	949,830

7. 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 share capital and contributed surplus amount includes \$1 share capital.

8. Contributed surplus:

Contributed surplus represents funding contributions from the Ministry of Finance in respect to the acquisition of land.

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Notes to Financial Statements

Year ended March 31, 2008

9. Contingencies:

Legal claims:

As at March 31, 2008, several legal claims against the company remain outstanding as a result of the project's compulsory acquisition of land. It is the opinion of management that these claims are unlikely to result in payments significant to the financial statements as a whole. Any difference between the amounts currently provided in respect to settlements and subsequently reassessed will be recorded in the period of reassessment.

10. Financial instruments:

Fair values:

The fair values of the Company's accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short term to maturity. The fair value of cash approximates its carrying value as it earns interest at variable market rates.