partnerships
British Columbia

BRITISH COLUMBIA
The Best Place on Earth

Partnerships British Columbia Inc. | PO Box 9478 Stn Prov Govt, Victoria, BC V8W 9W6 | www.partnershipsbc.ca

Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2009, 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, 2009.

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, Finance and Administration
Partnerships British Columbia Inc.

BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver, BC, Canada V6C 3L2
Telephone: (604) 688-5421
Telefax: (604) 688-5132
E-mail: vancouver@bdo.ca
Web: www.bdo.ca

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, 2009 and 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audits 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
April 17, 2009

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

	2009	2008 (Notes 3 and 16)
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	$ 10,375,360	$ 54,393,982
Accounts receivable	3,739,248	11,654,471
Other current assets	26,247	35,918
Total current assets	14,140,855	66,084,371
Property and equipment – office (Note 5)	388,520	419,304
Property and equipment – hospital (Note 6)	–	405,169,030
Deferred development costs (Note 7)	–	9,204,103
Total assets	**$ 14,529,375**	**$ 480,876,808**

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

APPROVED ON BEHALF OF THE BOARD

Rick Mahler

R.T. Mahler, Director

Harold Calla

H. Calla, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

	2009	2008 (Notes 3 and 16)
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,295,063	$ 3,288,165
Total current liabilities	2,295,063	3,288,165
Loan payable (Note 12)	–	377,069,733
Deferred capital contribution (Note 8)	–	87,793,082
Total liabilities	**2,295,063**	**468,150,980**
SHAREHOLDER'S EQUITY		
Share capital		
Authorized 5,000,000 common shares, no par value		
Issued 2 common shares	2	2
Contributed surplus (Note 9)	4,584,626	7,152,726
Retained earnings	7,649,684	5,573,100
Total shareholder's equity	**12,234,312**	**12,725,828**
Total liabilities and shareholder's equity	**$ 14,529,375**	**$ 480,876,808**

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

	2009	2008 (Notes 3 and 16)
REVENUES		
Fees for services	$ 7,956,812	$ 6,944,578
Provincial government revenue	1,966,000	1,909,000
Other revenue	230,029	323,003
	10,152,841	9,176,581
EXPENSES		
Operating expenses		
Administration	341,831	379,677
Amortization	251,902	225,239
Building occupancy	534,563	506,050
Communications	49,468	41,782
Information systems	215,693	193,958
Professional services	427,506	377,042
Salaries and benefits	5,976,366	6,002,341
Travel	278,928	174,289
Total operating expenses	8,076,257	7,900,378
Operating income	2,076,584	1,276,203
Project recoveries	6,685,642	5,198,802
Project expenses (Note 10)	6,685,642	5,198,802
	–	–
Net income	2,076,584	1,276,203
Retained earnings, beginning of year	5,573,100	4,296,897
Retained earnings, end of year	**$ 7,649,684**	**$ 5,573,100**

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

	2009	2008 (Notes 3 and 16)
Operating activities		
Net income	$ 2,076,584	$ 1,276,203
Add non - cash item:		
Amortization	251,902	225,239
	2,328,486	1,501,442
Changes in working capital items:		
Accounts receivable	(625,199)	(1,689,895)
Other current assets	9,671	(252)
Accounts payable and accrued liabilities	213,960	487,589
Cash provided by operating activities	1,926,918	298,884
Investing activities		
Purchase of property and equipment – office	(221,118)	(323,121)
Increase in property – hospital	–	(50,469,550)
Increase in equipment – hospital	–	(53,375,889)
Deferred development costs	–	(1,444,016)
Cash used by investing activities	(221,118)	(105,612,576)
Financing activities		
Transfer of restricted cash and short-term investments – hospital	(45,724,422)	–
Cash received for property – hospital	–	41,276,717
Deferred capital contribution	–	11,220,622
Cash provided (used) by financing activities	(45,724,422)	52,497,339
Decrease in cash and cash equivalents	(44,018,622)	(52,816,353)
Cash and cash equivalents, beginning of year	54,393,982	107,210,335
Cash and cash equivalents, end of year	**$ 10,375,360**	**$ 54,393,982**

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

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

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's mandate is to evaluate, structure and implement public private partnerships which serve the public interest. The Company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

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; and
- 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 former 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. Pursuant to the ARHCC Share Transfer Agreement, on May 6, 2008, the Company transferred the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

2. Summary of Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Significant accounting policies are as follows:

a. Principles of Consolidation

The comparative figures in the Consolidated Financial Statements include the accounts of Partnerships BC and its wholly-owned subsidiary ARHCC. The current year's figures include the results of ARHCC to the date of transfer to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008. All intercompany transactions and balances have been eliminated on consolidation.

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 with unrealized gains and losses being recorded in income in the current period.

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

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. These costs formed part of the capitalized cost of the asset, when it was transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008.

e. Impairment of Long-Lived Assets
Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying amount of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying value is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value and recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset group or assets.

Indefinite life intangible assets are subjected to impairment tests on an annual basis or when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value.

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

g. Revenue Recognition
Project 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.

h. 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 accounts receivable, accounts payable and accrued liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates. Transactions requiring significant degrees of estimation include useful lives of capital assets and percentage of completion on contracts.

i. Comprehensive Income and Equity
The Company follows no accounting principles that would create other comprehensive income.

j. Financial Instruments
On April 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement".

Section 3855 established standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives, to be recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of a financial instrument or non-derivative contract. All financial instruments are measured at fair value on initial recognition, and measurement in subsequent periods is dependent on their classification as described below.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial instruments be classified as either held-for-trading, available for sale, held-to-maturity, loans and receivables or as other financial liabilities.

The Company's financial assets and financial liabilities are classified and measured as follows:

Financial Asset/Liability	Category	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial assets and financial liabilities held for trading are measured at fair value at the balance sheet date. Changes in the fair value of financial instruments classified as held for trading are included in income for the period.

k. Adoption of Recent Accounting Pronouncements
On April 1, 2008, the Company adopted five (5) standards that were issued by the CICA: Handbook Section 1400 "General Standards of Financial Statement Disclosure", Handbook Section 1506 "Accounting Changes", Handbook Section 1535 "Capital Disclosures", Handbook Section 3862 "Financial Instruments – Disclosures" and Handbook Section 3863 "Financial Instruments – Presentation". The adoption of these standards did not require a restatement of prior periods.

Section 1400 establishes standards for assessing a company's ability to continue as a going concern and disclosing any material uncertainties that cast doubt upon its ability to continue as a going concern. The adoption of this Handbook section has had no impact on the financial statements for the year ended March 31, 2009.

Section 1535 establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies, and processes of managing capital, (ii) quantitative data about what an entity regards as capital, (iii) whether the entity has complied with any externally imposed capital requirements, and (iv) if it has not complied, the consequences of such non-compliance. Note 17 sets out the new disclosure related to this requirement.

Sections 3862 and 3863 replace Section 3861 "Financial Instruments – Disclosure and Presentation". These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. 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. Note 15 sets out the new disclosures realted to the new requirement.

l. New Accounting Pronouncements

Recent accounting pronouncements that have been issued but not yet effective, and have a potential implication for the Company, are as follows:

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The IFRS rules will apply to public companies and other publicly accountable entities. It is expected that Government Business Organizations will be categorized as publicly accountable entities and, as such, that IFRS will apply to the Company in its fiscal year beginning April 1, 2011. However, the CICA is currently deliberating on the suitability of IFRS for Government Business Organizations with the outcome of these deliberations expected in calendar 2009. The impact of the transition to IFRS on the Company's financial statements has yet to be determined.

EIC 173 – Credit Risk and the Fair Value of Financial Assets and Liabilities

On January 20, 2009, the Emerging Issues Committee (EIC) issued EIC 173. In this EIC, the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. The EIC is effective for periods ending after the issuance date. The adoption of this accounting pronouncement has had no impact on the financial statements for the year ended March 31, 2009.

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 in the development of a new hospital and cancer centre. 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. On May 6, 2008, ownership of ARHCC was transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre.

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

	2009	2008
Current assets	$ –	$ 54,264,846
Property and equipment	–	405,169,030
Deferred development costs	–	9,204,103
Total assets	$ –	$ 468,637,979
Current liabilities	$ –	$ 1,207,063
Deferred capital contribution	–	87,793,082
Loan payable	–	377,069,733
Net assets	–	2,568,101
Total liabilities and net assets	$ –	$ 468,637,979

ARHCC had no operations in 2008 or 2009 prior to the date of transfer as it was soley focused on the development of the hospital and cancer centre.

4. Cash and Cash Equivalents

	2009	2008
Cash	$ 9,861,983	$ 8,170,096
Restricted cash	–	45,015,074
Short-term investments	513,377	1,208,812
	$ 10,375,360	$ 54,393,982

Restricted cash represents contributions from the Fraser Valley Regional Hospital District for construction costs in relation to the hospital and cancer centre. Restricted cash also includes an amount to procure 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.

5. Property and Equipment – Office

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer software	$ 399,653	$ 303,438	$ 96,215	$ 80,027
Computer hardware	384,885	280,320	104,565	79,010
Furniture and equipment	159,622	110,364	49,258	62,434
Leasehold improvements	383,530	245,048	138,482	195,671
Knowledge management	97,382	97,382	–	2,162
Website development	18,398	18,398	–	–
	$ 1,443,470	$ 1,054,950	$ 388,520	$ 419,304

6. Property and Equipment – Hospital

	2009	2008
Land	$ –	$ 4,619,654
Construction in progress	–	347,139,130
Equipment	–	53,410,246
	$ –	$ 405,169,030

The common shares of ARHCC were transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008.

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.

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 ARHCC's monthly operating costs.

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. This credit was reversed on May 6, 2008 when the Company transferred the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

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	2009	2008
BC Cancer Agency Centre for the North	$ 420,035	$ 5,021
Children's & Women's Hospital	1,367,433	326,241
Evergreen Line	345,692	45,670
Government of Canada	58,939	15,244
Fort St. John Hospital and Residential Care	59,591	27,127
Fraser Health Authority	785,861	485,065
Gateway Program	1,529,629	1,207,079
Interior Health Authority	72,233	158,907
Partenariats public-privé Québec – General	46,836	130,091
PWGSC – RCMP	482,231	9,534
UBC Earth Systems Sciences Building	178,925	–
UBC Pharmacy Building	398,128	2,675
Vancouver Coastal Health Authority	137,018	82,112
Vancouver Island Health Authority	642,223	2,439,434
Others	160,868	264,602
	$ 6,685,642	$ 5,198,802

11. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2015.

The estimated payments are as follows:

Year	Amount
2010	$ 523,157
2011	552,982
2012	552,982
2013	455,257
2014	385,452
Thereafter	224,847
	$ 2,694,677

12. Loan Payable and Contractual Obligations

The expenditures made towards property and equipment – hospital were recorded as a loan payable. Partial repayments were made from contributions received from the Fraser Valley Regional Hospital District. These repayments were made on a quarterly basis. The financing terms were closely bound to the public private partnership agreement and as such there was no stated interest rate. An estimated interest rate of 7.75 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, May 6, 2008 until April 2038. ARHCC started making payments once the hospital and cancer centre reached substantial completion on May 6, 2008.

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, 2008 indicated a surplus of $487 million for basic pension benefits.

The next valuation will be as at March 31, 2011, with results available in early 2012. The actuary does not attribute portions of the unfunded liability to individual employers. The employees of Partnerships BC contributed $295,539 (2008 - $272,590) while Partnerships BC paid $335,240 (2008 - $305,037) in employer contributions to the Plan in fiscal 2009.

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.

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

	2009	2008
Fees for services	$ 5,789,511	$ 5,973,194
Provincial government revenue	1,966,000	1,909,000
Other revenue	215,590	322,888
	$ 7,971,101	$ 8,205,082
Operating expenses:		
Information systems	$ –	$ 45,865
Professional services	323	5,383
Other expenses	78,091	33,594
	$ 78,414	$ 84,842
Project recoveries	$ 6,077,750	$ 5,026,635

Assets and liabilities with related parties as at March 31, 2009 were:

	2009	2008
Accounts receivable	$ 3,233,500	$ 2,631,344
Accounts payable and accrued liabilities	$ 31,555	$ 34,163

15. Financial Instruments

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the company would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of cash and cash equivalents (including short-term investments), accounts receivable, other current assets, and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the short-term investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

c. General objectives, policies and processes

The Audit and Risk Management Committee of the Board has overall responsibility for the determination of the Company's risk management objectives and policies. The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Company to the Chief Executive Office (CEO) and to the Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Company.

d. Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Company does not consider its exposure to credit risk to be material.

e. Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements. The Company's annual service plan and budget are approved by the Board of Directors. The Company also provides quarterly forecast to the Audit and Risk Management Committee of the Board of Directors.

f. Market risk

The Company is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Company is exposed are interest rate risk and other price risk.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash and cash equivalents entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. The cash and cash equivalents are invested in high grade, highly liquid instruments and as such the Company managed its exposure to potential interest rate fluctuations in the short-term. The Company has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Company is exposed to price risk through its investment in short-term investments.

As at March 31, 2009, the Company's total exposure to market risk is $513,377. The Company's best estimate of the effect on net assets as at March 31, 2009, due to a reasonably possible increase or decrease of 10 per cent in the fund markets, with all other variables held constant, would approximately amount to an increase or decrease of $51,338 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

16. Prior Period Adjustment

In the prior year, the valuation of the property and equipment - hospital had been overstated due to the recording of GST related to equipment purchases and for the treatment of certain long-term costs that should not have been included in the cost of construction. In addition, a portion of interest earnings credited to deferred capital contributions was actually payable to the private partner and should have been reflected as a current liability. These financial statements adjust for these items on a retroactive basis.

The impact of this adjustment is to:

- Increase GST receivable in the prior period by $2,016,613;
- Decrease Property and Equipment - Hospital in the prior period by $3,532,701;
- Increase Accrued Liabilities in the prior period by $1,179,062;
- Decrease Deferred Capital Contributions in the prior period by $1,179,062; and
- Decrease Loan Payable in the prior period by $1,516,088.

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

17. Capital Management

The Company's objectives when managing capital are to ensure that sufficient resources are available to fund the ongoing operations and future growth as well as safeguard the Company's ability to continue as a going concern, so that it can provide value for shareholder and benefits for other stakeholders. The Company considers its capital to include cash and cash equivalents and shareholder's equity.

Management reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of the Company is reasonable. There were no changes to the Company's approach to capital management during the year ended March 31, 2009. The Company is not subject to any externally imposed capital requirements.