Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2010, 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, 2010.

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
Vice President, Finance and Administration
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, 2010 and 2009 and the Consolidated Statements of Income and Retained Earnings and Cash Flows for the years 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
April 16, 2010

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Statements of Income and Retained Earnings for the Years Ended March 31

	2010	2009
REVENUES		
Fees for services	$ 6,651,963	$ 7,956,812
Provincial government revenue	1,230,000	1,966,000
Other revenue	91,305	230,029
	7,973,268	10,152,841
EXPENSES		
Operating expenses		
Administration	331,406	341,831
Amortization	172,158	251,902
Building occupancy	566,361	534,563
Communications	6,376	49,468
Information systems	269,840	215,693
Professional services	391,769	427,506
Salaries and benefits	6,044,720	5,976,366
Travel	153,816	278,928
Total operating expenses	7,936,446	8,076,257
Operating income	36,822	2,076,584
Project recoveries	4,628,114	6,685,642
Project expenses (Note 7)	4,628,114	6,685,642
	–	–
Net income	36,822	2,076,584
Retained earnings, beginning of year	7,649,684	5,573,100
Retained earnings, end of year	**$ 7,686,506**	**$ 7,649,684**

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

	2010	2009
Operating activities		
Net income	$ 36,822	$ 2,076,584
Add non – cash item:		
Amortization	172,158	251,902
	208,980	2,328,486
Changes in working capital items:		
Accounts receivable	832,132	(625,199)
Other current assets	(44,318)	9,671
Accounts payable and accrued liabilities	(516,488)	213,960
Cash provided by operating activities	480,306	1,926,918
Investing activities		
Purchase of property and equipment	(41,647)	(221,118)
Cash used by investing activities	(41,647)	(221,118)
Financing activities		
Transfer of restricted cash and short-term investments – hospital	-	(45,724,422)
Cash provided (used) by financing activities	-	(45,724,422)
Increase (decrease) in cash and cash equivalents	438,659	(44,018,622)
Cash and cash equivalents, beginning of year	10,375,360	54,393,982
Cash and cash equivalents, end of year	**$ 10,814,019**	**$ 10,375,360**

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, 2010 and 2009

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 partnership solutions 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, procurement management and implementation;
- 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 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 (FHA) and the Provincial Health Services Authority (PHSA).

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 include the results of ARHCC to the date of transfer to FHA and PHSA 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 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 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. 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 or group of 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.

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 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 would be 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.

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 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.

h. Comprehensive Income and Equity
The Company does not follow any accounting principles that would create other comprehensive income.

i. Financial Instruments
The Company follows 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.

j. New Accounting Pronouncements
A recent accounting pronouncement that has been issued but is not yet effective, and has a potential implication for the Company, is as follows:

Future Accounting Framework
In December 2009, the CICA's Public Sector Accounting Board (PSAB) discontinued the category of government business-type organization that allowed the Company to report using Canadian GAAP rules for private companies. By the Company's fiscal year ended March 31, 2012 the Company will have to use another accounting framework for reporting – either International Financial Reporting Standards (IFRS) or the PSAB standards themselves. The Company will make its decision on the most appropriate framework for it to use early in the 2010-11 fiscal year. The impact of the transition to the IFRS or PSAB on the Company's financial statements has yet to be determined.

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 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 FHA and PHSA as the organizations overseeing the operations of the hospital and cancer centre.

ARHCC had no operations prior to the date of transfer as it was solely focused on the development of the hospital and cancer centre.

4. Cash and Cash Equivalents

	2010	2009
Cash	$ 6,800,002	$ 9,861,983
Short-term investments	4,014,017	513,377
	$ 10,814,019	$ 10,375,360

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

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
Computer software	$ 376,475	$ 354,876	$ 21,599	$ 96,215
Computer hardware	441,358	345,122	96,236	104,565
Furniture and equipment	167,973	125,956	42,017	49,258
Leasehold improvements	383,530	285,373	98,157	138,482
Knowledge management	97,382	97,382	–	–
Website development	18,398	18,398	–	–
	$ 1,485,116	$ 1,227,107	$ 258,009	$ 388,520

6. 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.

7. 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	2010	2009
BC Cancer Agency Centre for the North	$ 768,738	$ 420,035
BC Hydro John Hart Replacement Project	174,096	-
BCIT Health/Life Science Complex	36,568	-
Children's & Women's Redevelopment Project	541,083	1,367,433
Evergreen Line	247,439	345,692
Fort St. John Hospital and Residential Care Project	161,256	59,591
Full Day Kindergarten	151,699	-
Interior Heart and Surgical Centre Project	73,891	-
Kelowna and Vernon Hospitals Project	2,149	72,233
Long-Term Accommodation Project	166,628	58,939
Lower Mainland Acute Care	-	137,018
Partenariats public-privé Québec – General	31,327	46,836
Port Mann/Highway 1	123,752	1,529,629
RCMP E Division HQ Relocation Project	752,753	482,231
Royal Jubilee Hospital Patient Care Centre	230,931	642,223
Smart Card and Faregate Project	95,743	-
SMH Redevelopment and Expansion	40,908	-
South Fraser Perimeter Road	718,300	-
Surrey Outpatient Care and Surgery Centre	506	785,861
Surrey Pre-Trial Services Centre	79,759	-
UBC Earth Systems Sciences Building	-	178,925
UBC Pharmacy Building	189,052	398,128
Others	41,536	160,868
	$ 4,628,114	$ 6,685,642

8. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2015. The estimated payments are as follows:

Year	Amount
2011	558,387
2012	558,387
2013	460,661
2014	390,857
2015	228,000
	$ 2,196,292

9. 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 $317,377 (2009 - $295,539) while Partnerships BC paid $354,428 (2009 - $335,240) in employer contributions to the Plan in fiscal 2010.

10. 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:

		2010		2009
Fees for services	$	5,618,242	$	5,789,511
Provincial government revenue		1,230,000		1,966,000
Other revenue		79,017		215,590
	$	6,927,259	$	7,971,101
Operating expenses:				
Professional services		1,619		323
Other expenses		92,053		78,091
	$	93,672	$	78,414
Project recoveries	$	3,660,063	$	6,077,750

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

		2010		2009
Accounts receivable	$	2,182,855	$	3,233,500
Accounts payable and accrued liabilities	$	30,067	$	31,555

11. 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 Officer (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 manages 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, 2010, the Company's total exposure to market risk is $4,014,017. The Company's best estimate of the effect on net assets as at March 31, 2010, due to a reasonably possible increase or decrease of one per cent in the fund markets, with all other variables held constant, would approximately amount to an increase or decrease of $40,140 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.

12. 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 the Shareholder and benefits for other stakeholders. The Company considers its capital to include the components of 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, 2010. The Company is not subject to any externally imposed capital requirements.

BRITISH COLUMBIA
The Best Place on Earth

partnerships
British Columbia

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