Management Report

The financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2011, have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2011.

Management is responsible for the preparation of the 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 financial statements.

The Board of Directors carries out its responsibility for the review of the 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 Canada LLP has performed an independent audit of the financial statements of Partnerships British Columbia Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on the statements of Partnerships British Columbia Inc.

Sarah Clark
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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Independent Auditor's Report

To the Board of Directors and Shareholder of
Partnerships British Columbia

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Balance Sheets as at March 31, 2011 and 2010, and the Statements of Income and Retained Earnings and Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2011 and 2010, 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

June 2, 2011

PARTNERSHIPS BRITISH COLUMBIA INC.

Balance Sheets as at March 31

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 11,529,079	$ 10,814,019
Accounts receivable	3,036,616	2,907,116
Other current assets	67,056	70,565
Total current assets	14,632,751	13,791,700
Property and equipment (Note 4)	324,535	258,009
Total assets	**$ 14,957,286**	**$ 14,049,709**

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

APPROVED ON BEHALF OF THE BOARD

L.A. Blain

L.A. Blain, Chair

Susan Conner

S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Balance Sheets as at March 31

		2011		2010
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	2,464,688	$	1,778,575
SHAREHOLDER'S EQUITY				
Share capital				
Authorized 5,000,000 common shares, no par value				
Issued 2 common shares		2		2
Contributed surplus (Note 5)		4,584,626		4,584,626
Retained earnings		7,907,970		7,686,506
Total shareholder's equity		**12,492,598**		**12,271,134**
Total liabilities and shareholder's equity	**$**	**14,957,286**	**$**	**14,049,709**

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

PARTNERSHIPS BRITISH COLUMBIA INC.

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

	2011	2010
REVENUES		
Fees for services	$ 8,404,771	$ 6,651,963
Provincial government revenue	-	1,230,000
Other revenue	130,243	91,305
	8,535,014	7,973,268
EXPENSES		
Operating expenses		
Administration	361,054	331,406
Amortization	141,133	172,158
Building occupancy	597,816	566,361
Communications	33,647	6,376
Information systems	239,080	269,840
Professional services	460,488	391,769
Salaries and benefits	6,288,920	6,044,720
Travel	191,412	153,816
Total operating expenses	8,313,550	7,936,446
Operating income	221,464	36,822
Project recoveries	4,286,974	4,628,114
Project expenses (Note 6)	4,286,974	4,628,114
	-	-
Net income	221,464	36,822
Retained earnings, beginning of year	7,686,506	7,649,684
Retained earnings, end of year	**$ 7,907,970**	**$ 7,686,506**

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

PARTNERSHIPS BRITISH COLUMBIA INC.

Statements of Cash Flows for the Years Ended March 31

	2011	2010
Operating activities		
Net income	$ 221,464	$ 36,822
Add non – cash item:		
Amortization	141,133	172,158
	362,597	208,980
Changes in working capital items:		
Accounts receivable	(129,500)	832,132
Other current assets	3,509	(44,318)
Accounts payable and accrued liabilities	686,113	(516,488)
Cash provided by operating activities	922,719	480,306
Investing activities		
Purchase of property and equipment	(207,659)	(41,647)
Cash used by investing activities	(207,659)	(41,647)
Increase in cash and cash equivalents	715,060	438,659
Cash and cash equivalents, beginning of year	10,814,019	10,375,360
Cash and cash equivalents, end of year	**$ 11,529,079**	**$ 10,814,019**

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

Notes to Financial Statements

For the Years Ended March 31, 2011 and 2010

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 vision is to be a recognised leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability. 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 transactions, 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.

2. Summary of Significant Accounting Policies

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

Short-Term Investments

Short-term investments are comprised 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.

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

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.

Income Taxes

Partnerships BC is exempt from corporate income taxes; however, it is subject to the *Harmonized Sales Tax* (HST).

Revenue Recognition

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

2. Summary of Significant Accounting Policies (continued)

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.

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.

Comprehensive Income and Equity

The Company does not follow any accounting principles that would create other comprehensive income.

Financial Instruments

The Company follows the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" as well as Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation".

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.

Further disclosures are set out in Note 10 to the financial statements.

New Accounting and Regulatory Pronouncements

The Company's financial reporting is based on the CICA Handbook's Part V – Pre-changeover Accounting Standards.

For the fiscal year commencing April 1, 2011, the Company, as an "other government organization" (OGO), will have to change the accounting framework that it reports under. The Company has a choice of following International Financial Reporting Standards (IFRS) or Canadian Public Sector Accounting Standards (PSAS). The Company has determined that the PSAS standards will be most relevant for its stakeholders.

The Company will adopt PSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB) with restatement of comparative figures. The change to public sector accounting standards will result in different financial measurement, format of financial statements, and financial disclosure as these standards are based on different principles and concepts.

PSAB enables OGOs to apply or not apply certain transitional exemptions. Pursuant to the Budget Transparency and Accountability Act, the British Columbia Treasury Board has directed that such elections or choices available under the PSAS be made after consultation with or direction of the Comptroller General of British Columbia.

The areas that may be most impacted by the change in reporting framework include: accounting for and reporting financial instruments and accounting for government transfers. The application of PSAS standards for OGOs in these areas is not well developed and therefore the impact of these changes cannot be determined at this time. The Company is working with its peer organizations to develop a consistent application of the PSAS standards.

3. Cash and Cash Equivalents

	2011	2010
Cash	$ 7,478,294	$ 6,800,002
Short-term investments	4,050,785	4,014,017
	$ 11,529,079	$ 10,814,019

Short-term investments are comprised 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 the date of purchase.

4. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2011	Net Book Value 2010
Computer software	$ 376,475	$ 375,580	$ 895	$ 21,599
Computer hardware	642,310	410,246	232,064	96,236
Furniture and equipment	173,370	141,100	32,270	42,017
Leasehold improvements	384,840	325,534	59,306	98,157
Knowledge management	97,382	97,382	-	-
Website development	18,398	18,398	-	-
	$ 1,692,775	$ 1,368,240	$ 324,535	$ 258,009

5. 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.

6. 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	2011	2010
BC Housing SRO Renewal	$ 84,114	$ -
BC Hydro John Hart Project	137,666	174,096
BC Hydro Smart Metering Program	141,692	600
BC Cancer Agency Centre for the North	16,455	768,738
Children's & Women's Redevelopment Project	347,288	541,083
Evergreen Line Rapid Transit Project	522,669	247,439
Fort St. John Hospital and Residential Care Project	40,209	161,256
Interior Heart and Surgical Centre Project	104,137	73,891
Long-Term Accommodations Project	187,520	166,628
Modular Classroom Project	247,465	151,699
Port Mann/Highway 1 Improvement Project	560	123,752
RCMP E Division HQ Relocation Project	1,302,028	752,753
Royal Jubilee Hospital Patient Care Centre	226,690	230,931
Smart Card and Faregate Project	1,089	95,743
SMH: Emergency Department & Critical Care Tower	100,882	40,908
SYD Resource Road Development	151,296	11,392
South Fraser Perimeter Road	283,384	718,300
Surrey Pretrial Services Centre Expansion	325,458	79,759
UBC Pharmacy Building	-	189,052
Others	66,372	100,094
	$ 4,286,974	$ 4,628,114

7. Commitments

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

Year	Amount
2012	$ 567,749
2013	469,396
2014	399,144
2015	232,834
	$ 1,669,123

8. 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 surplus to individual employers. The employees of Partnerships BC contributed $306,218 (2010 - $317,377) while Partnerships BC paid $343,425 (2010 - $354,428) in employer contributions to the Plan in fiscal 2011.

9. 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 market rates and credit terms.

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

		2011		2010
Fees for services	$	7,522,720	$	5,618,242
Provincial government revenue		–		1,230,000
Other revenue		122,642		79,017
	$	7,645,362	$	6,927,259
Operating expenses:				
Professional services	$	1,685	$	1,619
Other expenses		90,811		92,053
	$	92,496	$	93,672
Project recoveries	$	2,792,928	$	3,660,063

Assets and liabilities with related parties as at March 31, 2011 were:

		2011		2010
Accounts receivable	$	2,213,688	$	2,182,855
Accounts payable and accrued liabilities	$	70,461	$	30,067

10. 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 (excluding 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 semi-annual 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.

10. Financial Instruments (continued)

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 a 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, 2011, the Company's total exposure to market risk is $4,050,785. The Company's best estimate of the effect on net assets as at March 31, 2011, due to a 5% increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of $202,540 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 Note 10 (f) 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.

11. 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 its shareholder and benefits for other stakeholders. The Company considers its capital to include 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, 2011. The Company is not subject to any externally imposed capital requirements.