Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Rapid Transit Project 2000 Ltd., and
To the Minister of Transportation and Infrastructure, Province of British Columbia

We have audited the accompanying financial statements of Rapid Transit Project 2000 Ltd., which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements are prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

Auditors' Responsibility

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 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 our 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, we consider internal control relevant to the entity's preparation 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 overall 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 statements of financial position of Rapid Transit Project 2000 Ltd. as at March 31, 2012, March 31, 2011 and April 1, 2010 and its statements of operations, net debt and cash flows for the years ended March 31, 2012, March 31, 2011 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 13 to the financial statements discloses the impact of these differences.

KPMG LLP

Chartered Accountants
June 18, 2012
Victoria, Canada

RAPID TRANSIT PROJECT 2000 LTD.
Statements of Financial Position

	March 31 2012	March 31 2011	April 1 2010
	($ 000s)	($ 000s)	($ 000s)
Financial assets			
Cash and cash equivalents	6,395	6,372	6,381
Accounts receivable	1	8	-
	6,396	6,380	6,381
Liabilities			
Accounts payable and accrued liabilities	5,544	5,576	5,568
Due to government	-	4	-
Deferred capital contributions (note 5)	772,637	785,875	813,626
	778,181	791,455	819,194
Net debt	(771,785)	(785,075)	(812,813)
Non-financial assets			
Tangible capital assets under lease (note 6)	824,854	838,092	865,843
Accumulated surplus (note 7)	53,069	53,017	53,030

Contingent liabilities (note 8)

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

Approved on behalf of the Board:

Director

RAPID TRANSIT PROJECT 2000 LTD.
Statements of Operations

Year ended March 31	2012 Budget (note 9) ($ 000s)	2012 Actual ($ 000s)	2011 Actual ($ 000s)
Revenue			
Amortization of deferred capital contributions	27,751	13,238	27,751
Interest income	125	96	70
	27,876	13,334	27,821
Expenses			
Amortization of tangible capital assets under lease	27,751	13,238	27,751
General administrative	25	44	83
	27,776	13,282	27,834
Annual operating surplus (deficit)	100	52	(13)
Accumulated surplus at beginning of year		53,017	53,030
Accumulated surplus at end of year		53,069	53,017

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

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Change in Net Debt

Year ended March 31	2012 Budget (note 9) ($ 000s)	2012 Actual ($ 000s)	2011 Actual ($ 000s)
Annual operating surplus (deficit)	100	52	(13)
Amortization of tangible capital assets under lease	27,751	13,238	27,751
Decrease in net debt	27,851	13,290	27,738
Net debt at beginning of year		(785,075)	(812,813)
Net debt at end of year		(771,785)	(785,075)

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

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flow

Year ended March 31	2012	2011
	($ 000s)	($ 000s)
Operating transactions		
Annual operating surplus (deficit)	52	(13)
Amortization of tangible capital assets	13,238	27,751
Amortization of deferred capital contributions	(13,238)	(27,751)
Net changes in working capital	(29)	4
Increase (Decrease) in cash and cash equivalents	23	(9)
Cash and cash equivalents, beginning of year	6,372	6,381
Cash and cash equivalents, end of year	6,395	6,372

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

1. Nature of operations:

Rapid Transit Project 2000 Ltd. (the Company) is a Crown Corporation 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).

The Company was incorporated to carry out the study, design, construction and development of extensions to the existing Lower Mainland Light Rail Transit System (the SkyTrain Extension) which included the construction of the Millennium Line (the Line) and a pre-build component of the Evergreen Line. 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.

The Millennium Line was fully completed on January 6, 2006. The Line is being operated by British Columbia Rapid Transit Company Ltd. (BCRTC), a subsidiary of the South Coast British Columbia Transportation Authority (TransLink) under the multi-party Millennium Line Use Agreement with the Company and British Columbia Transit (BC Transit).

2. Conversion to Canadian public sector accounting standards:

Commencing April 1, 2011, Rapid Transit Project 2000 Ltd. adopted Canadian public sector accounting (PSA) standards as issued by the Public Sector Accounting Board (PSAB). These financial statements are the first financial statements for which the Company has applied PSA standards.

The Company has early adopted PSA standards PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation, PS 3041 - Portfolio Investments, and PS 3450 - Financial Instruments in the preparation of these financial statements.

Detailed information on the impact of the conversion to Canadian public sector accounting standards is provided in note 12.

3. Significant accounting policies:

(a) Basis of accounting:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards as required by section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia (the "Province") except in regard to accounting for capital contributions which is based on the Restricted Contributions Regulation 198/2011 as advised by Treasury Board of the Province. Details of the regulation are described in note 3(d).

The Company follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

3. Significant accounting policies (continued):

(b) Reporting entity:

These financial statements reflect the assets, liabilities, revenues, and expenses of the Rapid Transit Project 2000 Ltd. There are no organizations controlled or consolidated by the Company.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term investment in guarantee income certificate with a term to maturity of 185 days. This investment is redeemable within a day's notice. Interest income is reported as revenue in the period earned.

(d) Deferred capital contributions:

In November 2011, the Province's Treasury Board issued Restricted Contributions Regulation 198/2011 advising all taxpayer-supported government entities to defer and amortize restricted contributions, for the purpose of acquiring or developing depreciable tangible capital assets, at the same rate that the related tangible capital assets are amortized. This regulation applies to restricted contributions received or receivable by entities before or after the regulation comes into effect.

The Rapid Transit Project 2000 Ltd., as an agent for the Province, developed and constructed the Millennium Line. The Company has oversight responsibilities to ensure that the Line is maintained and operated, as per the direction and requirement from the Province, throughout its useful life. Consistent with the regulation, the Company deferred all monetary and non-monetary contributions from the Province for the construction of the Line and amortizes the contributions into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related depreciable tangible capital assets.

This accounting treatment is different from the requirements of the Canadian PSA standards which require that government contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished. See note 13 for the impact of this policy on these financial statements.

(e) Non-financial asset:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

3. Significant accounting policies (continued):

(e) Non-financial asset (continued):

Tangible capital assets under lease:

Tangible capital assets are recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction or development of the assets. Capitalization of financing charges during construction ceases upon substantial completion.

Assets under construction are not amortized until the assets are available for use. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Millennium Line	100 years
Vehicles	25 years

(f) Financial instruments:

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest attributable to financial instruments are reported in the statement of operations.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

3. Significant accounting policies (continued):

(g) Measurement uncertainty:

The presentation of the financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, impairment of assets, and liability for contaminated sites.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

4. Change in accounting estimates:

Management of Rapid Transit Project 2000 Ltd. hired the engineering firm involved in the design and construction of the Millennium Line to conduct a review of the estimated useful life of the Company's tangible capital assets.

In accordance with the opinion and recommendation from the engineering firm, the board of the Company revised the estimated useful life of the Millennium Line component of tangible capital assets from 40 years to 100 years in fiscal year 2012. As a result, amortization expense of the Line and related deferred capital contributions is reduced by approximately $14.5 million a year. This change will impact the financial results on a prospective basis starting April 1, 2011.

5. Deferred capital contributions:

Deferred capital contributions are comprised of funding received as Prepaid Capital Advances (PCAs) as well as attributed interest from the Ministry of Finance for the design, planning and construction of the Millennium Line and the related pre-operating costs.

($ 000s)	March 31 2012	March 31 2011	April 1 2010
Opening balance	785,875	813,626	841,377
Amortization	(13,238)	(27,751)	(27,751)
Closing balance	772,637	785,875	813,626

6. Tangible capital assets under lease:

Tangible capital assets under lease consist of land, land improvements, stations, guideways, operating and maintenance centres, real property assets and other assets related to the Millennium Line. These assets are made available for use to the South Coast British Columbia Transportation Authority (TransLink) under the Millennium Line Use Agreement for consideration of one dollar per year.

The operating lease arrangement is for a period of approximately 11 years and 7 months ending March 30, 2014. The Company and TransLink may agree to renew and extend the term for additional successive periods of five years each and continuing for so long as the Line is part of the Regional Transportation System.

Cost information of the tangible capital assets under lease is as follows:

($ 000s)	Millennium Line	Vehicles	Land in use	2012 Total
Cost:				
Opening balance	889,193	137,763	52,951	1,079,907
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	889,193	137,763	52,951	1,079,907
Accumulated amortization:				
Opening balance	(192,835)	(48,980)	-	(241,815)
Amortization	(7,664)	(5,574)	-	(13,238)
Disposals	-	-	-	-
Closing balance	(200,499)	(54,554)	-	(255,053)
Net book value	688,694	83,209	52,951	824,854

($ 000s)	Millennium Line	Vehicles	Land in use	2011 Total
Cost:				
Opening balance	889,193	137,763	52,951	1,079,907
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	889,193	137,763	52,951	1,079,907
Accumulated amortization:				
Opening balance	(170,587)	(43,477)	-	(214,064)
Amortization	(22,248)	(5,503)	-	(27,751)
Disposals	-	-	-	-
Closing balance	(192,835)	(48,980)	-	(241,815)
Net book value	696,358	88,783	52,951	838,092

6. Tangible capital assets under lease (continued):

Completed construction costs include costs incurred by the Company in funding the provincially approved share of municipal integration costs and the provincially approved pre-build of an Evergreen Line connection to the Millennium Line at Lougheed Town Centre Station.

Included within capital assets is $21.2 million of land which was expropriated under the *Expropriation Act* and has been registered on behalf of the Company 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.

7. Accumulated surplus:

Accumulated surplus consists of approximately $53 million of funding from the Province for acquisition of land for the Millennium Line.

8. Contingent liabilities:

As at March 31, 2012, 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.

9. Budget figures:

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Company's board and the Ministry of Transportation and Infrastructure of the Province. These figures are not audited.

10. Financial instruments:

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 and cash equivalents approximates its carrying value as it earns interest at variable market rates.

The Company is not exposed to any significant interest rate, credit, foreign exchange and liquidity risk arising from its financial instruments. There were no changes to risks related to financial instruments during the years presented.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. The Company is not exposed to any significant interest rate risk. The interest rate of the short-term investment the Company invested in is guaranteed so changes in interest rates will have no impact to the return of the investment.

10. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk the Company will incur financial loss due to a counterparty defaulting on its financial obligation to the Company. The Company follows the Province's policy guidelines by dealing with only highly rated counterparties and therefore, limiting the Company's exposure to credit risk. There are no concentrations of credit risk arising from financial instruments.

(c) Foreign exchange risk:

Foreign exchange risk is the risk the Company will incur financial loss due to changes in foreign exchange rates. The Company is not exposed to any foreign exchange risk as the Company conducts its business activities in Canadian currency only.

(d) Liquidity risk:

Liquidity risk is the risk the Company will encounter difficulty in meeting its financial obligations. The company manages its financial resources closely to ensure all financial obligations are met. Financial assets mature within one year and financial liabilities are expected to mature no later than five years.

11. Related party transactions:

The Company is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. All transactions between the related parties are considered to possess commercial substances and are recorded at the exchange amount, which is the amount of consideration established and agreed by the parties.

12. Transitional adjustment:

There was no impact of the transition to PSA on the Company's accumulated surplus as of April 1, 2010 which totalled $53,029,517. There was no impact of the transition to PSA on the Company's annual operating deficit for the year ended March 31, 2011 which totalled $13,049.

13. Impact of accounting for government contributions in accordance with section 23.1 of the *Budget Transparency and Accountability Act*:

As noted in the significant accounting policies, section 23.1 of the *Budget Transparency and Accountability Act* and its related regulations require the entity to recognize restricted capital contributions for depreciable tangible capital assets into revenue on the same basis as the related amortization expense. As these contributions do not contain stipulations that create a liability for the Company, PSA standards would require these contributions be recognized into revenue in the period when authorized and all eligibility criteria are met. The impact of this accounting policy difference on these financial statements is as follows:

13. Impact of accounting for government contributions in accordance with section 23.1 of the *Budget Transparency and Accountability Act* (continued):

April 1, 2010 - increase in accumulated surplus and decrease in deferred capital contributions by $813,626,689.

Year ended March 31, 2011 - increase in annual operating deficit by $27,750,703.

March 31, 2011 - increase in accumulated surplus and decrease in deferred capital contributions by $785,875,986.

Year ended March 31, 2012 - decrease in annual operating surplus by $13,238,339.

March 31, 2012 - increase in accumulated surplus and decrease in deferred capital contributions by $772,637,646.