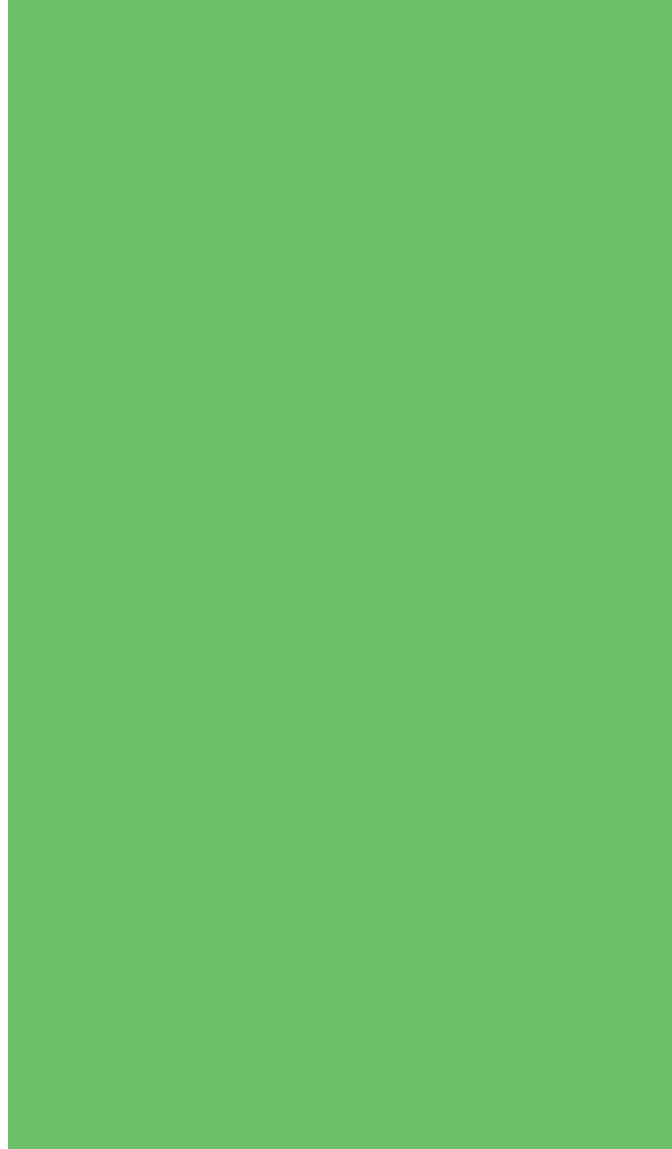


2007 | 2008 Annual Report



partnerships
British Columbia



Abbotsford Regional Hospital and Cancer Centre

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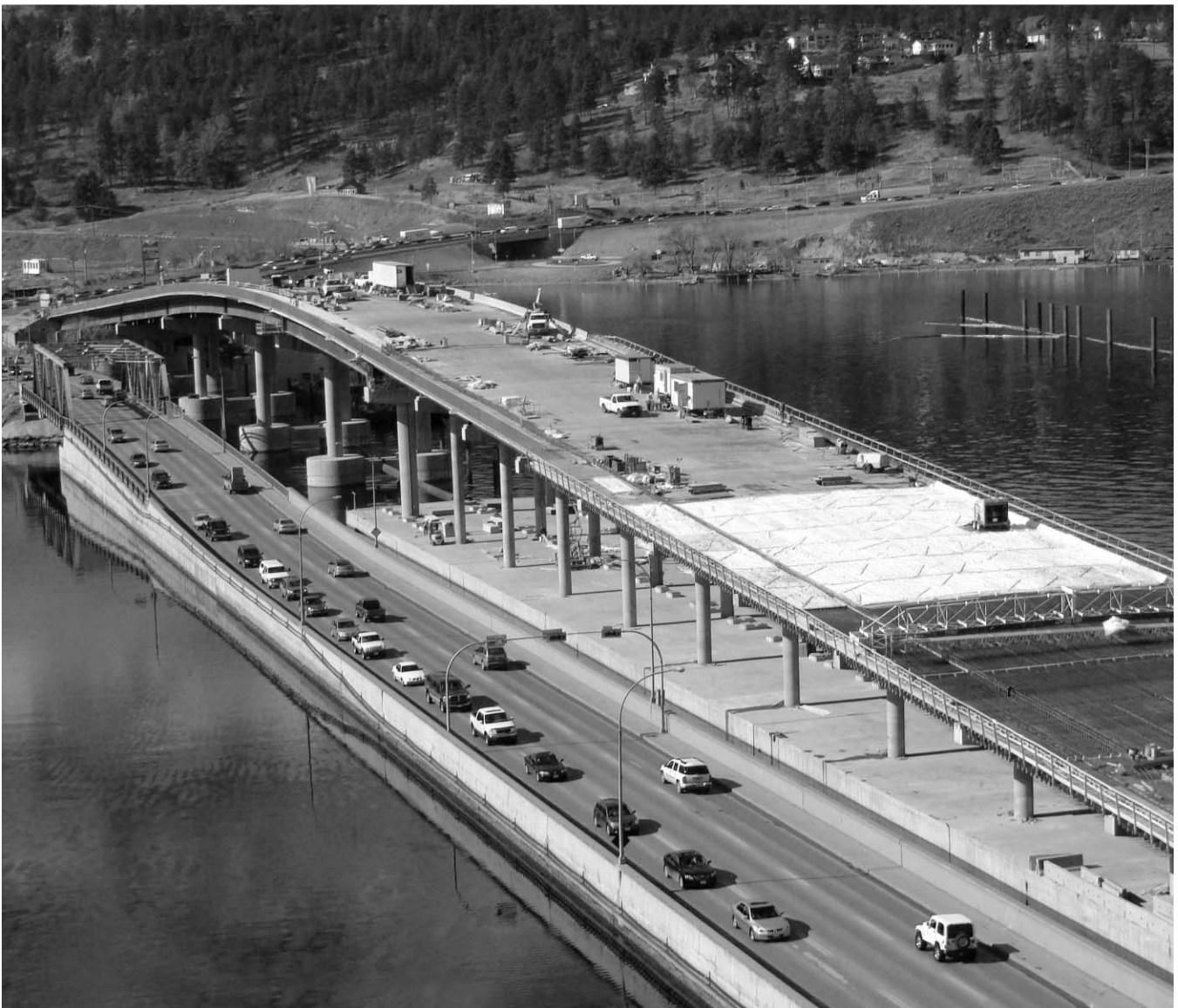
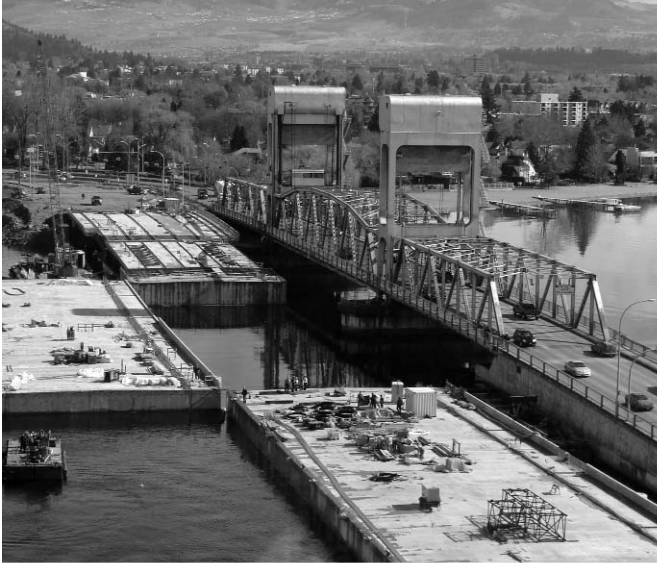
Cover photos (clockwise from top left):

- Abbotsford Regional Hospital and Cancer Centre
- Sea-to-Sky Highway Improvement Project
- William R. Bennett Bridge
- Kicking Horse Canyon Highway Improvement Project



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William R. Bennett Bridge

Message from the Chair

I am pleased to present the 2007-08 Annual Report for Partnerships British Columbia Inc.

Partnerships BC has established itself as a centre of excellence recognized internationally for innovation in the procurement of performance-based infrastructure. Consequently, jurisdictions across North America are turning to Partnerships BC to access the experience and expertise developed over its first six years of operation.

The Company has a proven track record of success with more than 20 partnership projects that have been, or are scheduled to be, delivered on time and on budget in communities all across British Columbia. These innovative projects are expected to generate significant benefits for taxpayers over the life of each agreement. Of these projects, five have reached the operational stage and each project was completed either on or ahead of schedule and within budget. Of the projects that are currently under construction, all are on or ahead of schedule and on budget. Together, these projects make up a total investment of nearly \$8 billion, \$5 billion of which comes from private capital.

During 2007, the Sea-to-Sky Highway Improvement Project passed the 50 per cent completion mark; the Park Bridge opened ahead of schedule, marking a significant milestone in the Kicking Horse Canyon Highway Improvement Project; and the Charles Jago Northern Sport Centre opened to serve athletes and students in northern British Columbia. Construction of the Abbotsford Regional Hospital and Cancer Centre is nearing completion and to date the project remains on time and on budget, which is a significant achievement for a health care project of this size and complexity. Public private partnerships are delivering much needed infrastructure for British Columbians and achieving value for taxpayers dollars in an extremely competitive construction market.

In addition to the projects that are operational or under construction, five new public private partnership projects entered the market in 2007 in health, transportation and education sectors.

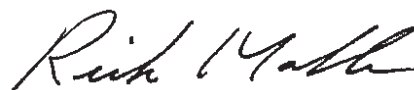
The Board of Directors of Partnerships BC reviewed corporate performance in 2007-08 and concluded that the Company successfully delivered on all corporate goals in its Service Plan: evaluating, structuring and implementing public private partnerships; encouraging the growth and development of the market; and, remaining commercially viable. Partnerships BC's net income (pre-variable compensation) was \$1,982,639 which translated to a Net Income Margin (pre-variable compensation) of 21.6 per cent, which compared favourably with the shareholder's target.

Going forward, the implementation of the capital standard together with projects in the market, new clients and new sectors should enable Partnerships BC to meet its revenue growth and Net Income Margin (pre-variable compensation) targets as outlined in its 2008-09 to 2010-11 Service Plan.

The 2007-08 Partnerships British Columbia Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board sets performance measures and holds management accountable for the contents of the report and achievement against the performance measures. The information presented reflects the actual performance of the Company for the twelve months ended March 31, 2008. All significant decisions, events and identified risks, as of March 31, 2008, have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of the Company's actual performance in relation to the Service Plan.

Sincerely,



Rick Mahler
Chair

Year in Review

It was another successful year for Partnerships BC (the Company). The Company managed the procurement of five major projects in a variety of sectors. A grand opening was held for the Charles Jago Northern Sport Centre, a project that was completed on time and on budget utilizing the design-build partnership delivery model. In addition, the Kicking Horse Canyon Highway Improvement Project was completed ahead of schedule and on budget. Construction continues on a number of projects and all public private partnership projects remain on or ahead of schedule and on budget – a considerable achievement in the current construction market.

Five new projects entered the market in 2007-08

It was an exciting year for the Company with five projects entering the market in the health, transportation and education sectors: Surrey Outpatient Facility, Royal Jubilee Hospital Patient Care Centre in Victoria and Kelowna and Vernon Hospitals Project together represent a significant investment by the Province in modern, state-of-the-art facilities designed to deliver safe, high quality patient care; Port Mann/Highway 1 Project, part of the Gateway Program, is a critical component of the Province's investment in transportation infrastructure and will reduce congestion, improve safety and reliability for motorists and facilitate reliable transit service for commuters; and replacement of Duchess Park Secondary School in Prince George marked the first design-build project in the education sector with Partnerships BC's involvement.

The North American partnership market continued to grow

As the partnership market in the United Kingdom has matured, more companies are looking for partnership opportunities in North America. The success of the partnership program in British Columbia was reflected in the number of international public private partnership market participants that either expanded or established offices in Vancouver. In addition, several B.C. based companies entered the market, partnering with international based firms to bid on projects. Partnerships BC is at the forefront of public private partnership agencies worldwide and jurisdictions across North America are turning to the Company for advice on how to structure performance-based infrastructure agencies.

Partnerships BC expanded its client base and diversified its product line

The Company successfully expanded its client base to include new engagements with K-12 education, advanced education, energy, local governments, other provincial jurisdictions and the federal government. Partnerships BC continued to diversify its product line and recommended a range of partnership delivery models to its clients, including: design-build-finance-operate-maintain; design-build-finance-maintain; and design-build.

The Province announced an aggressive climate action plan to cut greenhouse gas emissions

The public private partnership delivery model is one mechanism that can be used to help the Province achieve its environmental goals. For example, for the three health care projects in the market, the private sector is required to describe how the design of each facility meets the principles of environmental sustainability, including the requirement to achieve Leadership in Energy and Environmental Design (LEED®) Gold certification.

Implementation of the capital standard policy resulted in more capital plan and procurement assessment reviews

Partnerships BC worked with its clients to improve the quality and comprehensiveness of procurement options analysis for major capital projects, and to increase the level of understanding of the full range of procurement options and the associated potential benefits. The Company developed screening criteria and performed capital plan reviews and numerous procurement option assessment reviews for clients in the K-12 education, advanced education, health, cultural, accommodation, energy, wastewater and transportation sectors. Partnerships BC also participated on the Steering Committee of partnership projects to ensure best practices were applied and sound governance and project management principles adopted.



Photo (l to r): Kelowna-Mission MLA Sindi Hawkins, Premier Gordon Campbell, SNC Lavalin Project Director Tom Tasaka

William R. Bennett Bridge

Partnerships BC conducted client and employee surveys in 2007-08

Partnerships BC conducted a client survey in 2007 and the results were overwhelmingly positive, with over 86 per cent client satisfaction overall. The survey results also indicated that the level of satisfaction with long-term clients, such as health and transportation, has increased over time as they realize the value of Partnerships BC products and services. For the first time, Partnerships BC employees participated in the *BC Public Service Agency Work Environment Survey 2007* and achieved an overall score of 80, compared to the public service benchmark of 63.

Partnerships BC maintained its commitment to openness, transparency and accountability

Partnerships BC is committed to maintaining a high level of disclosure with respect to its projects. Procurement documents were posted to the Company's website, giving the public greater access to information about the project and the competitive selection process. Fairness advisor reports for projects in procurement were published, giving the public greater confidence in the integrity of the competitive selection process. In addition, one value for money report was published for the Vancouver Island Health Authority Residential Care and Assisted Living Capacity Initiative.

Public private partnership projects achieve positive recognition

Partnerships BC's projects continued to receive accolades. There were two partnership projects that received awards in 2007. The Kicking Horse Canyon Highway Improvement Project received the Silver Award in the Infrastructure Category and the Vancouver Island Health Authority Assisted Living Capacity Initiative won the Award of Merit for Innovative Procurement for the bundling approach of the competitive selection process for multiple projects throughout Vancouver Island. Both awards were granted by the Canadian Council for Public-Private Partnerships.

Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable infrastructure projects that meet the needs of British Columbians. Partnerships BC is a Company owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole shareholder: the Minister of Finance. The Company is incorporated under the *British Columbia Business Corporations Act*; and therefore, it did not require enabling legislation.

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing 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 is responsible for bringing together the public and private sectors to develop and implement partnership projects. The Company's clients are public sector agencies, including ministries, Crown corporations, health authorities, advanced education institutions, boards of education and local governments.

For capital projects where the Province contributes \$20 million or more, the public private partnership model is considered the base case unless there is a compelling reason to do otherwise.

One of the objectives of the capital standard is to impose a discipline for good business planning to deliver best value for British Columbia taxpayers. Partnerships BC will continue to work with the Province and public sector clients to improve the quality and comprehensiveness of procurement options analysis for major capital projects, and to increase the level of understanding of the full range of procurement options and the associated potential benefits. Partnership delivery models are defined in the table below.

PARTNERSHIP DELIVERY MODELS DEFINED

Design-Build (DB)	Design-Build-Finance (DBF)	Design-Build-Finance-Maintain (DBFM)	Design-Build-Finance-Operate (DBFO)	Design-Build-Finance-Operate-Own (DBFOO)
The design and construction functions are the responsibility of the private partner selected through a competitive process. Financing and operations/maintenance are the responsibility of the public sector. Example: Charles Jago Northern Sport Centre.	The design, construction and financing functions are the responsibility of the private partner selected through a competitive process. However, private financing is typically replaced following construction and the public sector is responsible for the cost of long-term operations and maintenance. Examples include health care projects in Ontario.	The design, construction, financing and facility maintenance functions are the responsibility of the private sector partner selected through a competitive process. Example: Gordon and Leslie Diamond Health Care Centre.	The design, construction, financing and operations functions are the responsibility of the private partner selected through a competitive process. Example: Sea-to-Sky Highway Improvement Project.	The design, construction, financing, operation and ownership of facilities are the responsibility of the private partner selected through a competitive process. Example: Vancouver Island Residential Care and Assisted Living Capacity Initiative.



Abbotsford Regional Hospital and Cancer Centre

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Partnerships BC provides a full spectrum of services ranging from business case and procurement advisory services to comprehensive turnkey project and post-financial close contract management. This flexible approach enables clients to focus on their core business and accountabilities while Partnerships BC focuses on the administrative and contractual requirements of managing partnership projects.

Specific service offerings are described in the table below.

PARTNERSHIPS BC'S SERVICES

Business Planning

- Concept Plans and Feasibility Analysis
- Procurement Options Assessment
- Business Case
 - Quantitative Analysis
 - Risk Analysis
 - Multiple Criteria Analysis (MCA)
 - Procurement Options Analysis
- Strategic Communications
- Stakeholder Management

Procurement Process

- Procurement Process Management
- Market Sounding
- Best Practices and Procurement Documentation
- Evaluation Management
- Service Integration
 - Consultant Management
- Strategic Communications
- Stakeholder Management

Implementation

- Post-Financial Close Advice and Management
- Contract Documentation
- Value for Money Reporting
- Project Management
- Strategic Communications
- Stakeholder Management

Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC continues to build relationships with private sector partners such as developers, investors, the advisory and financial services sector, and providers of construction, engineering and facilities management services.

The Company's organization, staffing and governance reflect and support this blend of the public and private sectors to best serve the public interest. Partnerships BC's Board of Directors and staff have a mix of skills and expertise from both sectors. The Company has offices in Vancouver and Victoria to serve both sectors effectively.

In 2007-08, Partnerships BC employed 42 full-time equivalent positions. To respond to business needs, Partnerships BC is structured into strategic service units that support the Company's project focus and operational requirements: Partnerships Development and Delivery, Partnerships Delivery and Services and a Finance and Administration unit. These business units, and their primary functions, are described in the table below.

BOARD OF DIRECTORS		
Senior Management Team Larry Blain <i>President & CEO</i>		
Sarah Clark <i>Vice President</i> <i>Partnerships Development and Delivery</i> Areas of Responsibility <ul style="list-style-type: none"> ■ Business Development ■ Project Governance and Delivery ■ Corporate Relations ■ Market Development ■ Senior Project Advisor 	Grant Main <i>Vice President</i> <i>Partnerships Delivery and Services</i> Areas of Responsibility <ul style="list-style-type: none"> ■ Policy and Practices ■ Project Delivery ■ Communications ■ Government Relations ■ Legal Services ■ Procurement Services ■ Knowledge Management and Research ■ Senior Project Advisor 	Chan-Seng Lee <i>Assistant Vice President</i> <i>Finance and Administration</i> Areas of Responsibility <ul style="list-style-type: none"> ■ Finance and Accounting ■ Human Resources ■ Administration ■ Facilities ■ Information Technology ■ Contract Management ■ Corporate Governance

The Company regularly updates its website to provide new information on current and completed projects, value for money reports and best practice guidance documents. For more information, visit: www.partnershipsbcc.ca

“Public private partnerships have been a tremendous success in British Columbia, resulting in millions of dollars of additional benefits to taxpayers for over 20 projects, including critical transportation and health care infrastructure. As we move forward into the Pacific Century, P3s will continue to play an important role in meeting the infrastructure needs of our growing province.”

Premier Gordon Campbell
May 2007



Charles Jago Northern Sport Centre

Corporate Governance

Partnerships BC is governed by a Board of Directors that reports to the shareholder on the operations of the Company. The Board of Directors was appointed July 15, 2003 and the composition of the Board reflects the unique mandate of the Company, with Directors drawn from both the public and private sectors. The Board has two key functions: to provide governance and oversight for the Company, and to review and recommend potential partnership opportunities.

The Board follows governance principles as set out in the Best Practice Guidelines published by the Board Resourcing and Development Office of the Ministry of Labour and Citizens' Services. The activities of the Board are governed by disclosure guidelines set by the Province. Details on Partnerships BC's governance practices can be found at: www.partnershipsbc.ca/files/governance-practices.html

The Board consists of the following Directors:

Rick Mahler (Chair)

Ed Andersen

Harold Calla

Susan Conner

Celia Courchene

Colin AC Dobell

Dan Doyle

Charles Jago

Gordon Steele

Sharon White

SHAREHOLDER'S EXPECTATIONS

Letter of Expectations	2007-08 Corporate Goals
<ul style="list-style-type: none"> ■ Provide expert services to the Province and its agencies in the procurement of partnership projects. ■ Ensure the public interest is served. ■ Demonstrate fair, transparent and competitive processes. ■ Support the Province in tackling the challenges of global warming and promote environmentally sensitive infrastructure through public private partnerships. 	Goal 1: Structure and implement public private partnership solutions which serve the public interest.
<ul style="list-style-type: none"> ■ Build a centre of expertise and excellence that will be recognized for innovation and performance. ■ Grow the public private partnership market in B.C. 	Goal 2: Encourage development of the partnership market in British Columbia.
<ul style="list-style-type: none"> ■ Improve efficiency and quality of delivery of partnership transactions. ■ Remain commercially viable on an ongoing basis and increase productivity by ensuring that revenues meet or exceed expenses. 	Goal 3: Remain commercially viable and increase productivity.
<ul style="list-style-type: none"> ■ Assist the Province in the application of the new capital standard announced in October 2006. 	Goal 4: Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices.

In 2007-08, two of the Company's founding Directors retired after reaching the term of their appointment: Barry Lapointe and Ellen Morfitt. Three new Directors were appointed in 2007-08: Ed Andersen, Gordon Steele and Sharon White.

The Board is supported by two subcommittees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the Company's risk management, internal controls and information systems. The committee members are: Harold Calla (Chair), Susan Conner,

Dan Doyle and Sharon White. The Board Chair and the Chair of the Human Resources and Governance Committee also attend meetings of the Audit and Risk Management Committee.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters and the establishment of a plan of continuity and development for senior management. The committee also provides a focus on corporate governance to enhance the performance of the Company. The committee members are: Celia Courchene (Chair), Ed Andersen, Colin AC Dobell, Charles Jago and Gordon Steele. The Board Chair and the Chair of the Audit and Risk Management Committee also attend meetings of the Human Resources and Governance Committee.



*Back (left to right): Dan Doyle, Sharon White, Susan Conner, Celia Courchene, Charles Jago, Gordon Steele, Ed Andersen.
Front (left to right): Colin AC Dobell, Rick Mahler. Missing: Harold Calla.*

Report on Performance

General Planning Context

Fiscal 2007-08 marked the first full year of the implementation of the capital standard policy; Partnerships BC continued to work with the Province, public sector clients, stakeholders and the partnership market to raise the level of awareness and understanding of this policy direction and support its implementation. Partnerships BC assisted the Ministry of Finance in revising the Capital Asset Management Framework to incorporate the provisions of the capital standard policy.

Other factors that impacted Partnerships BC's operating environment related directly to the fiscal situation and infrastructure requirements of the majority of the Company's public sector clients. The Province's planned infrastructure growth in health care, education, advanced education, municipal infrastructure, transportation and energy provided opportunities for Partnerships BC to assist clients and add value to projects while serving the public interest. Over the last year, Partnerships BC worked with its clients to explore a range of partnership delivery models, from design-build to design-build-finance-operate-maintain, in order to assist clients in meeting their infrastructure needs. The Company succeeded in expanding its client base to include engagements with K-12 education, advanced education, local governments and energy. Partnerships BC entered into engagements with Public Works Government Services Canada, the Province of Nova Scotia and the Province of Alberta. British Columbia's climate change initiative also presented new opportunities for partnership projects to harness the innovation of the private sector to find new ways to build sustainable, performance-based infrastructure.

The expansion of the Canadian partnership market continued in 2007-08 with the emergence of new provincial and federal participants. Public private partnership agencies are fully operational in Ontario and Quebec, and the Government of Alberta established a public private partnership program.

The Government of Nova Scotia has indicated its commitment to explore the use of strategic partnerships to address the Province's infrastructure deficit. In addition, the Government of New Brunswick stated its intention to use public private partnerships in infrastructure. The Government of Canada committed \$25 million over five years to establish a federal P3 Crown corporation to facilitate the broader use of public private partnerships in Canadian infrastructure projects and contributed \$1.25 billion to a Public Private Partnerships Fund. These developments across Canada helped to strengthen the partnership market. In addition, there were a number of new market participants that expanded their operations in locations across the country.

British Columbia continued to experience a heated construction market province-wide and in the Lower Mainland in particular. In fact, B.C. experienced a higher than expected construction escalation rate in the 10 per cent range for 2007.¹ In this environment, public private partnership projects continued to provide taxpayers with budget and schedule certainty.

Performance Measurement

Although the Canadian public private partnership market has been expanding over the last few years, there are no other agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, it is difficult to provide benchmark comparisons with other organizations.

However, benchmarks are utilized where possible with comparable organizations. For example, Partnerships BC participated in the *BC Public Service Agency Work Environment Survey 2007* and the results for the Company were benchmarked against the public service.

¹ BTY Group, Market Intelligence, Q4 2007

In 2002-03, when Partnerships BC was first incorporated, an independent third party consulting firm was engaged to perform a review of internal performance measures for the Company based on other comparable public and private sector organizations. When the Company revised its business model in 2006-07, an independent third party consulting firm was again engaged to review the internal performance measures for the Company. On an annual basis, the Board reviews the performance measures for the Company and provides recommendations for change, if necessary.

Partnerships BC holds a unique place in the market, acting both as advisor to government and as the gateway to partnership opportunities for the business sector. Qualitative measures, such as those related to transparency and fairness, reflect the need to serve the public interest. Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations. The performance measures and targets selected reflect the nature of the advisory services business model under which Partnerships BC operates, and also to reflect the maturity of the public private partnership market.

Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Company tracked data from a number of sources throughout 2007-08, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations.
- Project milestones and comparison of milestones achieved based on project plans.
- A knowledge management strategy was used to track and catalogue best practices, project precedents and other key indicators.
- Information from client and employee satisfaction review processes, including surveys and interviews.

The Company presented an operations report to the Board each quarter and tracked progress against the Service Plan and took corrective action as necessary to ensure it remained on-track to achieve its corporate goals.

Risk Management

The risk profile faced by Partnerships BC in 2007-08 was similar to previous years. The timing of project approvals and projects entering procurement continued to have the greatest impact on Company resources. As a procurement agency, the most labour intensive time for the Company is when projects are in the market. With five projects in procurement in 2007-08, the Company was able to increase the number of employees and consultants required to resource existing projects and new work. Going forward, with five projects expected to reach financial close in 2008-09, the Company has budgeted for a modest increase in the number of employees and consultants required to resource projects.

In 2006-07, the Company shifted its business model from a completion and milestone fee model to a work fee model. With less reliance on completion and milestone fees, the Company worked throughout 2007-08 to diversify both its client base and service offerings. New engagements with clients outside of British Columbia represented a modest yet growing area of business for the Company. In addition, with a number of projects expected to reach the operational stage, the Company positioned itself to offer new services to public sector clients in the post-financial close phase of partnership projects.

Increased competition on projects from an expanded Canadian partnership market represented a potential risk to the Company. Partnerships BC has worked over the years to create an attractive market in British Columbia through the development and application of best practices and standard procurement documentation for projects. The Company was encouraged to see robust competition generated by five projects that entered procurement in 2007-08, and a combination of new and existing market teams responding during the request for qualifications stage.

Key risks and their corresponding mitigation strategies, as identified through Partnerships BC's ongoing approach to risk management, are described in the table below.

Risk Category	Description	Mitigation Strategies Utilized
Scope of Business Focus and Client Base <i>Applies to all goals</i>	Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakened or the policy environment were to change, this could limit the ability of the Company to meet its financial targets and goals.	<ul style="list-style-type: none"> ■ Expanded potential client market to include other levels of government and other jurisdictions. ■ Consulted with government agencies to understand their infrastructure needs and identify project opportunities. ■ Worked with central agencies to align approval processes. ■ Diversified the range of partnership procurement models to better meet client needs.
Public Private Partnership Policy Environment <i>Applies to all goals</i>	Public private partnerships are relatively new; therefore, policy issues are still evolving including the application of the capital standard policy and consideration of the Province's climate change initiative.	<ul style="list-style-type: none"> ■ Worked with the Province to ensure the policy environment is compatible with public private partnerships (e.g. accounting policy). ■ Worked with clients to ensure partnership projects are compatible with the Province's policy objectives.
Project Risks <i>Applies to goals 1, 2 and 3</i>	Partnerships BC may face increased risks due to problems or changes in client public private partnerships projects in the procurement, contract management or operations phase of a public private partnership project.	<ul style="list-style-type: none"> ■ Participated on Steering Committees for public private partnership projects. ■ Developed preliminary guidance documents and templates to be utilized for the post-financial close phase of public private partnership projects.
Public Private Partnership Market Size and Capacity <i>Applies to goals 1, 2 and 3</i>	Public private partnership markets are continuing to grow, both nationally and internationally. The Company may face challenges related to: <ul style="list-style-type: none"> ■ Growth of public private partnership markets in competing jurisdictions. ■ General private sector interest in public private partnerships worldwide. ■ Development of public private partnership capacity within B.C. ■ Capacity and inflationary pressures in the construction sector in B.C. ■ Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver. 	<ul style="list-style-type: none"> ■ Continued to develop relationships with public private partnership stakeholders and business partners. ■ Developed standardized and consistent approaches to procurement to reduce transaction and bid costs to make B.C. a more attractive public private partnership market. ■ Engaged in information sharing with other provincial jurisdictions to broaden the Canadian public private partnership market and attract private sector participants. ■ Communicated with international public private partnership organizations to build on their experience. ■ Ensured rigorous project budgeting to address project risks such as construction cost escalation. ■ Assessed market interest in advance of project implementation to ensure the presence of a viable market.

Risk Category	Description	Mitigation Strategies Utilized
<p>Reputation Risk</p> <p><i>Applies to goals 1, 2 and 3</i></p>	<p>Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. Partnerships BC's ability to provide quality service to its clients and the wider public private partnership market is directly tied to the reputation of the Company and the demonstrable success of its projects.</p>	<ul style="list-style-type: none"> ■ Ensured a high level of disclosure and transparency. ■ Developed and implemented communications strategies for partnership projects. ■ Developed and implemented a proactive corporate stakeholder relations strategy. ■ Applied best practices to all phases of projects. ■ Expanded service model to include post-financial close engagements.
<p>Internal Experience and Capacity</p> <p><i>Applies to all goals</i></p>	<p>Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.</p>	<ul style="list-style-type: none"> ■ Continued implementation of a human resources strategy that ensures professional staff develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draw expertise from the public and private sectors. ■ Supported continuous learning and improvement, and targeted and relevant training. ■ Focused on the use and optimization of the knowledge management system. ■ Optimized staff retention and worked to minimize personnel turnover. ■ Conducted an external executive and staff compensation review to benchmark against comparable public and private sector organizations.
<p>Management and Operational Risks</p> <p><i>Applies to all goals</i></p>	<p>Partnerships BC's ability to serve its clients is dependent upon its ability to harness and direct knowledge; therefore, the company faces business risks related to information management.</p>	<ul style="list-style-type: none"> ■ Updated and improved management and financial information systems and related processes. ■ Addressed business disruption issues with the effective deployment of business continuity plans. ■ Worked to improve server performance and the implementation and management of back-up systems. ■ Addressed information systems related risks.

2007-08 Performance Results

Building on the platform of success established over its first six years of operation and reflecting both the vision of its Board of Directors and the needs of its shareholder, the Company focused on four goals for the 2007-08 fiscal year:

1. Structure and implement public private partnership solutions which serve the public interest (50 per cent).
2. Encourage development of the public private partnership market in British Columbia (15 per cent).
3. Remain commercially viable and increase productivity (25 per cent).
4. Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices (10 per cent).

Partnerships BC presented its performance results to the Board of Directors at the end of 2007-08 and the Board determined that the Company achieved its corporate objectives.

Partnerships BC will continue to refine and reassess its corporate goals in the years ahead as the Company grows, the public private partnership market in British Columbia matures and the policy environment evolves.

A summary of goals, strategies, performance measures, targets and results for 2007-08, and goals, performance measures and targets for 2009-10 to 2010-11 follow at the end of this section.

Goal 1 – Structure and implement public private partnership solutions which serve the public interest (50 per cent)

The mandate of Partnerships BC is to evaluate, structure and implement public private partnership solutions which serve the public interest. Therefore, the Company measures its performance, in part, by tracking its ability to meet project milestones and initiate new projects.

During the year, Partnerships BC actively worked on 35 new engagements and was fortunate to enter into new engagements with clients in energy, K-12 education, advanced education and local governments. In addition, Partnerships BC established Memoranda of Understanding with the Government of Alberta, Public Works and Government Services Canada and the Government of Nova Scotia, and continued its information sharing engagements with Infrastructure Ontario and provided advisory services to Partenariats public-privé Québec.

Partnerships BC worked with its clients to develop business cases and, in fact, many business planning assignments expanded into procurement manager/advisor assignments. There were five projects that entered procurement in 2007-08 in the health, education and transportation sectors. All controllable project milestones were met, meaning that projects proceeded according to schedule.

Unfortunately, the Company did not reach its revenue growth target for 2007-08. This was primarily due to the timing of project approvals and projects entering procurement. However, with five projects expected to reach financial close in 2008-09, the timing of recognition of revenue has shifted from 2007-08 to 2008-09.

"... in British Columbia, public private partnerships are common for building highways, bridges, rapid transit, water treatment and so on, and everyone is happy. The political leaders are happy, business is happy, the public is happy, the economy is happy, the future is happy."

California Governor Arnold Schwarzenegger
January 2008

Partnerships BC's commitment to openness and transparency was reflected in the public release of procurement documents for the projects that entered the market in 2007-08 and the release of fairness advisor reports for those projects. In addition, a value for money report was published for the Vancouver Island Health Authority Residential Care and Assisted Living Capacity Initiative.

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service possible and that they are satisfied with the quality of services. Accordingly, Partnerships BC has developed a bi-annual client review system to evaluate our efforts at putting clients needs first. For 2007-08, the results were extraordinarily positive with over 86 per cent client satisfaction.

Goal 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)

Partnerships BC is focused on growing the public private partnership market by creating a centre of expertise in British Columbia. A key measure in achieving this is the harnessing of best practices from one project and transferring the knowledge and experience to other projects, thereby improving efficiency and quality.

Partnerships BC continued to develop and apply best practices in an effort to streamline and expedite the procurement process to save time and money for public sector clients. For example, standard procurement documents were used for each of the three health care projects that entered the market in 2007. Consequently, certain project costs such as legal fees were reduced. In addition, by sharing the same business advisor, these three health projects realized and benefited from cost savings. There was a significant amount of cross-project coordination, between both the health projects and the transportation project, to create a more streamlined and efficient process for all projects.

Best practices, such as governance, disclosure and procurement assessment criteria, were shared with jurisdictions across North America in an effort to transfer lessons learned, and improve and expand knowledge of the public private partnership market.

The success of the partnership program in British Columbia was reflected in the number of international public private partnership market participants that either expanded or established offices in Vancouver. For each of the projects that entered the market in 2007, the proponent teams combined the strength, innovation and expertise of B.C. based companies with international firms that have significant experience operating partnership projects.

Partnerships BC tracks external validation from a variety of sources, including: provincial, national and international media coverage, project awards and client feedback. With two project awards in 2007, partnership projects have received a total of 17 provincial, national and international awards of recognition for innovation and excellence.

Goal 3 – Remain commercially viable and increase productivity (25 per cent)

It was a successful year for Partnerships BC, with five projects in the market and many more projects at the business planning and business development stages. The Company achieved both the 15 per cent minimum shareholder target and the 21 per cent financial plan target.

The Company expanded its client base and offered a range of services to clients in different sectors. Although the majority of revenue for the Company was based on its provincial clients, revenue from non-B.C. sources started to increase in 2007-08 and is expected to continue in the coming year.

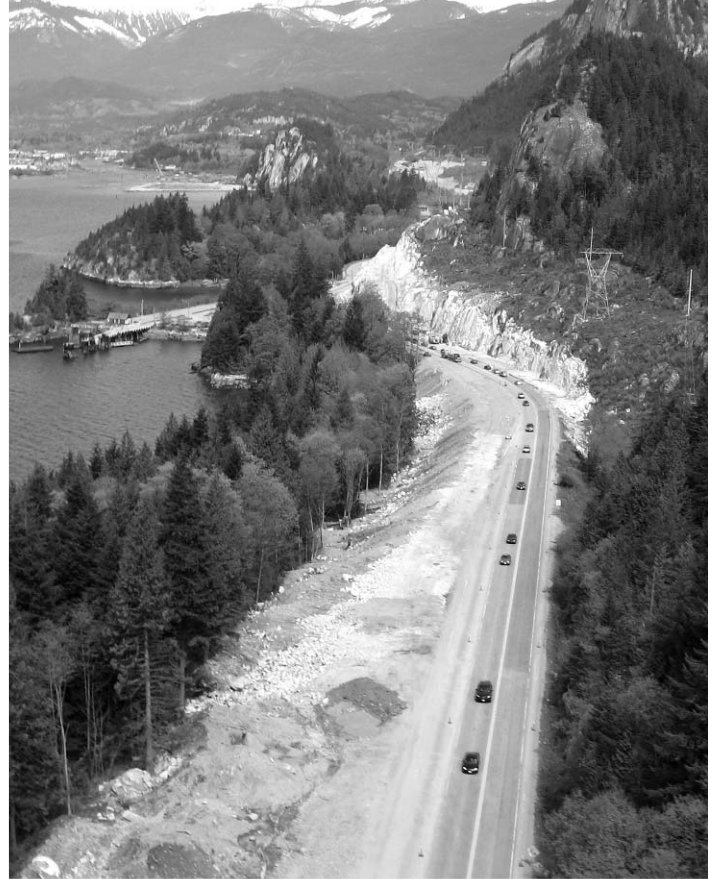
As a knowledge company, Partnerships BC remains committed to building and retaining a staff complement that is highly skilled, has in-depth knowledge of both the public and private sectors, is adaptable to a changing environment and is responsive to the needs of its clients. Partnerships BC has implemented a bi-annual employee satisfaction survey and although the survey was not conducted in 2007-08, employees did participate in the *BC Public Service Work Environment Survey 2007*. Overall, Partnerships BC employees achieved quite a high satisfaction rating of 80.

The Company continued to refine its performance management system and developed a training and education policy to ensure that staff members have the opportunity to optimize their individual performance and reach their personal career goals. In addition, a Leadership Training Program was developed in 2007 for implementation in 2008. The Company continued to allocate five per cent of its total compensation budget for training and development.

Goal 4 – Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices (10 per cent)

The year 2007-08 marked the first full year of implementation for the Province's capital standard policy. Partnerships BC was engaged by clients to assist with capital plan reviews and performed numerous procurement assessment reviews to determine whether or not the project should proceed using the partnership delivery model. A variety of partnership models were recommended, ranging from design-build to design-build-finance-maintain.

Partnerships BC continued to be directly involved in a number of partnership projects to ensure the application of best practices.



Sea-to-Sky Highway Improvement Project

Results (Based on 2007-08 Corporate Goals)

Goal 1 – Structure and implement public private partnership solutions which serve the public interest (50 per cent)

Strategies

- Continued to build and improve upon relationships with public sector client agencies and undertook business development beyond core provincial government client agencies.
- Ensured that a wide client group was aware of the potential benefits of public private partnerships.
- Continually sought out business opportunities with new, potential and existing clients.
- Developed business plans that incorporated rigorous financial analysis, risk assessment and management tools to provide a solid foundation for decision making, based on an assessment of a full range of quantitative and qualitative factors.
- Published documents that summarize the competitive selection process and the expected benefits of each project, and, as appropriate and utilized by the client, a Report of the Fairness Advisor following financial close of each project, and disclosed all documentation not deemed to be commercially sensitive.
- Continually assessed and appraised the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and private partners. Strategies included conducting client surveys and conducting market consultations.

	PAST PERFORMANCE		2007/08 PERFORMANCE	
Performance Measures	2005/06 Results	2006/07 Results	Targets	Results
<ul style="list-style-type: none"> ■ Public private partnership development agreement engagements with Province and/or other agencies 	<ul style="list-style-type: none"> ■ Eleven new engagements mostly in health and education ■ Four directly managed financial closings 	<ul style="list-style-type: none"> ■ 48 new engagements in a variety of sectors ■ Good relations and information sharing with other levels of government, for example, Quebec, Ontario and Alberta 	<ul style="list-style-type: none"> ■ Positive assessment by Board of Directors of engagements achieved 	<ul style="list-style-type: none"> ■ 35 new engagements ■ Engaged new sectors: energy, K-12 education, advanced education, local governments ■ New engagements with other jurisdictions: Alberta, Nova Scotia, Government of Canada
<ul style="list-style-type: none"> ■ Revenue growth 	<ul style="list-style-type: none"> ■ Four engagements with non-Provincial clients ■ Two post financial close engagements 	<ul style="list-style-type: none"> ■ Five directly managed financial closings; four post financial close engagements ■ Business planning assignments expanded into Procurement Manager / Advisor assignments 	<ul style="list-style-type: none"> ■ 17% 	<ul style="list-style-type: none"> ■ 13.2% ■ Seven engagements with non-Provincial clients ■ Two post financial close engagements ■ Business case development for multiple sectors
<ul style="list-style-type: none"> ■ Client survey results indicate Partnerships BC performance meets or exceeds client expectations 	<ul style="list-style-type: none"> ■ 92.3% overall client satisfaction 	<ul style="list-style-type: none"> ■ Positive feedback from clients; improved relations in key sectors ■ Repeat business from a variety of major clients 	<ul style="list-style-type: none"> ■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery 	<ul style="list-style-type: none"> ■ 86.1% overall client satisfaction
<ul style="list-style-type: none"> ■ Project milestones achieved 	<ul style="list-style-type: none"> ■ All controllable project milestones met 	<ul style="list-style-type: none"> ■ All controllable project milestones met 	<ul style="list-style-type: none"> ■ Positive assessment by Board of Directors (on project milestones achieved) 	<ul style="list-style-type: none"> ■ All controllable project milestones achieved

	PAST PERFORMANCE		2007/08 PERFORMANCE	
Performance Measures	2005/06 Results	2006/07 Results	Targets	Results
<ul style="list-style-type: none"> ■ Publish Value for Money Report or communications on all projects after financial close has been reached 	<ul style="list-style-type: none"> ■ All closed projects demonstrated value for taxpayers dollars 	<ul style="list-style-type: none"> ■ All reports published 	<ul style="list-style-type: none"> ■ 100% documents published 	<ul style="list-style-type: none"> ■ 100% documents published
<ul style="list-style-type: none"> ■ Publish fairness and probity opinions on projects where size and scope warrants fairness review 	<ul style="list-style-type: none"> ■ Positive fairness reports for applicable closed projects (three) 	<ul style="list-style-type: none"> ■ All reports published; no opinions required 	<ul style="list-style-type: none"> ■ 100% reports published 	<ul style="list-style-type: none"> ■ 100% reports published ■ Clean fairness opinions on four projects (RFQ Process)



Abbotsford Regional Hospital and Cancer Centre

Goal 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)

Strategies

- Implemented a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Participated within and outside British Columbia at conferences and workshops.
- Hosted client outreach workshops and forums.
- Entered into public private partnership development agreements with clients in strategic sectors.
- Developed a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identified and applied best practices from project to project to help ensure continuous improvement and consulted regularly with clients and the market in best practice development.
- Focused on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Supported the development of a strong pan-Canadian partnership market.

	PAST PERFORMANCE		2007/08 PERFORMANCE	
Performance Measures	2005/06 Results	2006/07 Results	Targets	Results
<ul style="list-style-type: none"> ■ New market participants in B.C. 	<ul style="list-style-type: none"> ■ Numerous new equity players, lenders and developers 	<ul style="list-style-type: none"> ■ Major international market participants have established offices in B.C.: Babcock and Brown; John Laing; Bilfinger Berger Health and Construction; Innisfree; Skanska 	<ul style="list-style-type: none"> ■ Number of new market participants 	<ul style="list-style-type: none"> ■ Major new entrants to B.C. partnership market: Transtoll Inc., Health Care Projects Canada Ltd., HSBC Infrastructure Fund Management Ltd., Honeywell Limited, Cintra S.A., Transurban Group
<ul style="list-style-type: none"> ■ Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments 	<ul style="list-style-type: none"> ■ Contracts or information shared with other levels of government 	<ul style="list-style-type: none"> ■ Sharing best practices with Ontario, Quebec and Alberta ■ New capital standard recognizes Partnerships BC best practices 	<ul style="list-style-type: none"> ■ Examples of projects utilizing best practices 	<ul style="list-style-type: none"> ■ All projects using standard procurement documents and sharing best practices internally ■ Sharing best practices across North America
<ul style="list-style-type: none"> ■ Annual examples of synergies and process cost reductions 	<ul style="list-style-type: none"> ■ Numerous examples of best practices applied 	<ul style="list-style-type: none"> ■ Standard concession agreement developed; additional project templates developed 	<ul style="list-style-type: none"> ■ Project examples where synergies achieved 	<ul style="list-style-type: none"> ■ Project by project evidence of reduced costs (e.g. legal) ■ Use of procurement documents consistent across projects and sectors (e.g. health and transportation)
<ul style="list-style-type: none"> ■ External validation (i.e. awards, informed media coverage) 	<ul style="list-style-type: none"> ■ Positive recognition for fairness and disclosure processes 	<ul style="list-style-type: none"> ■ Positive recognition for Partnerships BC; nine awards for PPP projects 	<ul style="list-style-type: none"> ■ Examples from 3rd party validators 	<ul style="list-style-type: none"> ■ International recognition for Partnerships BC and public private partnership policy; two project awards

Goal 3 – Remain commercially viable and increase productivity (25 per cent)**Strategies**

- Ensured that Partnerships BC's resources and cost structure were appropriate for the expected workload.
- Prudently managed general and administrative (non-recoverable) expenses.
- Monitored human resource issues relative to the human resource strategy and adjusted as required.
- Developed internal performance measures for Partnerships BC and its staff which tied individual and collective success to the achievement of milestone events.

	PAST PERFORMANCE		2007/08 PERFORMANCE	
Performance Measures	2005/06 Results	2006/07 Results	Targets	Results
<ul style="list-style-type: none"> ■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation) 	<ul style="list-style-type: none"> ■ Net income target met, \$1,462,386 ■ Equity target met 	<ul style="list-style-type: none"> ■ Net income margin below 21% target but achieved a 14.8% net income margin (approximately the shareholder's minimum requirement for a 15% net income margin) 	<ul style="list-style-type: none"> ■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation) 	<ul style="list-style-type: none"> ■ Net income target met, \$1,276,203 ■ Exceeded 15% minimum shareholder target and 21% financial plan target with a net income margin of 21.6% (pre-variable compensation)
<ul style="list-style-type: none"> ■ Minimize charge-out rates to clients 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ No increase in charge-out rates 	<ul style="list-style-type: none"> ■ No change in charge-out rates 	<ul style="list-style-type: none"> ■ No change
<ul style="list-style-type: none"> ■ Employee satisfaction 	<ul style="list-style-type: none"> ■ Strategic and operational Human Resources functions staffed ■ Performance Management System refined 	<ul style="list-style-type: none"> ■ Employee survey results range from 73.2% to 90.5% 	<ul style="list-style-type: none"> ■ Meet or exceed industry standards, with minimum 85% employee satisfaction 	<ul style="list-style-type: none"> ■ Employee satisfaction survey conducted every two years; scheduled for fiscal 2008/09 ■ <i>BC Public Service Agency Work Environment Survey 2007</i> (overall score of 80)
<ul style="list-style-type: none"> ■ Targeted and relevant training 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ All initiatives related to internal management of financial controls, Human Resources and IT implemented 	<ul style="list-style-type: none"> ■ 5% of compensation costs 	<ul style="list-style-type: none"> ■ Achieved training objectives within budget

Goal 4 – Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices (10 per cent)

Strategies

- Continued to work with ministries and provincial agencies to raise the level of expertise and understanding of the full range of procurement options.
- Continued to develop and enhance business assessment tools to assist in efficient and effective analysis.
- Provided timely and effective advice to agencies in reviewing projects to which the Province's capital standard policy applies.

	PAST PERFORMANCE		2007/08 PERFORMANCE	
Performance Measures	2005/06 Results	2006/07 Results	Targets	Results
<ul style="list-style-type: none"> ■ Client (Ministries) Satisfaction survey and milestones met 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery 	<ul style="list-style-type: none"> ■ Achieved overall client satisfaction of 86.1%
<ul style="list-style-type: none"> ■ Examples of best practices applied and costs reduced on oversight projects 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ Examples published 	<ul style="list-style-type: none"> ■ Direct involvement in all active PPP projects and best practices applied ■ Four capital plan reviews ■ Seven procurement assessment reviews

“Developments in British Columbia, where Partnerships BC is emerging as a benchmark organization, are promising and could likely extend to other provinces.”

McKinsey and Company
June 2007

Targets (Based on 2008-09 to 2010-11 Corporate Goals)

Goal 1 – Structure and implement public private partnership solutions which serve the public interest (50 per cent)

	FUTURE PERFORMANCE		
Performance Measures	2008-09 Targets	2009-10 Targets	2010-11 Targets
■ Public private partnership development agreement engagements with Province and/or other agencies	■ Positive assessment by Board of Directors of engagements achieved	■ Positive assessment by Board of Directors of engagements achieved	■ Positive assessment by Board of Directors of engagements achieved
■ Revenue growth	■ 17%	■ 1%	■ 3%
■ Client survey results indicate Partnerships BC performance meets or exceeds client expectations	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
■ Project milestones achieved	■ Positive assessment by Board of Directors (on project milestones achieved)	■ Positive assessment by Board of Directors (on project milestones achieved)	■ Positive assessment by Board of Directors (on project milestones achieved)
■ Publish Value for Money Report or communications on all projects after financial close has been reached	■ 100% documents published	■ 100% documents published	■ 100% documents published
■ Publish fairness and probity opinions on projects where size and scope warrants fairness review	■ 100% reports published	■ 100% reports published	■ 100% reports published

Goal 2 – Encourage development of the public private partnership market in British Columbia (15 per cent)

	FUTURE PERFORMANCE		
Performance Measures	2008-09 Targets	2009-10 Targets	2010-11 Targets
■ New market participants in B.C.	■ Number of new market participants	■ Number of new market participants	■ Number of new market participants
■ Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments	■ Examples of projects utilizing best practices	■ Examples of projects utilizing best practices	■ Examples of projects utilizing best practices
■ Annual examples of synergies and process cost reductions	■ Project examples where synergies achieved	■ Project examples where synergies achieved	■ Project examples where synergies achieved
■ External validation (i.e. awards, informed media coverage)	■ Examples from 3rd party validators	■ Examples from 3rd party validators	■ Examples from 3rd party validators

Goal 3 – Remain commercially viable and increase productivity (25 per cent)

	FUTURE PERFORMANCE		
Performance Measures	2008-09 Targets	2009-10 Targets	2010-11 Targets
■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation)	■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation)	■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation)	■ Meet financial plan targets (minimum 15% net income margin pre-variable compensation)
■ Minimize charge-out rates to clients	■ Minor changes in rates to reflect change in organization – no net increase	■ Subject to annual review	■ Subject to annual review
■ Employee satisfaction	■ Meet or exceed industry standards, with minimum 85% employee satisfaction	■ Meet or exceed industry standards, with minimum 85% employee satisfaction	■ Meet or exceed industry standards, with minimum 85% employee satisfaction
■ Targeted and relevant training	■ 5% of compensation costs	■ 5% of compensation costs	■ 5% of compensation costs

Goal 4 – Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices (10 per cent)

	FUTURE PERFORMANCE		
Performance Measures	2008-09 Targets	2009-10 Targets	2010-11 Targets
■ Client (Ministries) Satisfaction survey and milestones met	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	■ Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
■ Examples of best practices applied and costs reduced on oversight projects	■ Examples published	■ Examples published	■ Examples published



William R. Bennett Bridge

Management's Discussion and Analysis

Overview

Partnerships British Columbia (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 has been mandated to promote public private partnerships and to advise, support and, in some cases, manage the creation of public private partnerships and to carry out related activities. The mandate of the Company is to maximize the value to the Province of public capital assets such as hospitals, educational facilities and highways and to minimize the cost and improve the quality of government services provided using these assets.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited consolidated financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars.

This MD&A also contains forward-looking statements, including statements regarding business and anticipated financial performance of the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

Highlights

1. Achieved Financial Plan and Minimum Shareholder Net Income Margin (Pre-Variable Compensation) Targets of 21 per cent and 15 per cent respectively

Partnerships BC's net income (pre-variable compensation) was \$1,982,639 which translated to a net income margin (pre-variable compensation) of 21.6 per cent, which exceeded the Company's financial plan and minimum shareholder targets of 21 per cent and 15 per cent respectively.

2. Increased 2007-08 Consolidated Work Fee Revenue

Partnerships BC's consolidated work fee revenue was \$6,944,578 in 2007-08 compared to \$6,087,822 in 2006-07, an increase of 14 per cent.

3. Improved Balance Sheet

Partnerships BC's unrestricted cash and cash equivalents increased to \$8,170,096 in 2007-08 compared to \$7,035,926 in 2006-07.

Partnerships BC's current accounts receivable as at March 31, 2008 was 93 per cent compared to 83 per cent as at March 31, 2007.

4. Projects in the Market

During the year, the following projects entered the market:

- Surrey Outpatient Facility
- Royal Jubilee Hospital Patient Care Centre in Victoria
- Kelowna and Vernon Hospitals Project
- Port Mann/Highway 1 Project
- Duchess Park Secondary School Project in Prince George

5. New Board Members

Partnerships BC welcomed Ed Andersen, Gordon Steele and Sharon White as members of its Board of Directors.

Mr. Andersen of Marwayne, Alberta is the past Chairperson of the East Central Health Region and the Lloydminster Hospital Board. He is a certified mediator and is also the owner operator of a family business.

Mr. Steele of Coldstream is a 40-year veteran of British Columbia's forestry sector. He is the past President, CEO and Chairman of Riverside Forest Products Ltd. He is also the past Chair of the Council of Forest Industries of B.C. and past Director of the Interior Forest Labour Relations Association and the B.C. Softwood Lumber Trade Council. Mr. Steele earned his bachelor of commerce from the University of British Columbia and he is a Certified Management Accountant.

Ms. White of Vancouver is a partner of Richards Buell Sutton LLP and is a member of its Securities and Corporate Finance, International and Technology groups. Her practice includes all aspects of corporate, commercial and corporate finance law. She is the past Chair of the Securities Section of the B.C. Branch of the Canadian Bar Association and also a former member of the Securities Advisory Council of the British Columbia Securities Commission. Ms. White earned her bachelors of commerce and law from the University of British Columbia and has practiced law in British Columbia and Bermuda.

6. Achievements and Awards

The following public private partnership projects received awards during the year:

- Vancouver Island Health Authority Residential Care and Assisted Living Capacity Initiative
- Kicking Horse Canyon Highway Improvement Project

"...from both sides of the equation the P3 looks like a winner."

Vancouver Sun
June 2007

Annual Financial Performance

Comparison of 2007-08 and 2006-07 Financial Performances

The audited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC).

The business model for Partnerships BC remained unchanged in 2007-08. In 2006-07, the Company introduced a new business model in which revenues were largely based on work fees instead of completion and milestone fees, and the government services contract. After the conclusion of fiscal 2008-09, the Company will phase out all completion, milestone and performance fees from its business model.

The Company had consolidated revenues of \$9,176,581 in 2007-08 compared to \$8,182,737 in 2006-07, an increase of 12 per cent. This resulted in a net income of \$1,276,203 in 2007-08 compared to a net income of \$605,932 in 2006-07, an increase of 111 per cent. The increase in consolidated revenues was largely attributable to projects in the market: Surrey Outpatient Facility, Royal Jubilee Hospital Patient Care Centre, Kelowna and Vernon Hospitals Project, Port Mann/Highway 1 Project and Duchess Park Secondary School Project. A sixth project, the Northwest Transmission Line for British Columbia Transmission Corporation, was suspended after NovaGold Resources and Teck Cominco postponed the Galore Creek project due to significant increases in cost projections.

The table below presents a comparison of selected income statement items of the current fiscal year with those of the previous fiscal year.

	2008		2007	
	2008	2007	2008	2007
Revenues	\$ 9,176,581	\$ 8,182,737	-	-
Project recoveries	5,198,802	3,383,535	56.7%	41.3%
Project expenses	5,198,802	3,383,535	56.7%	41.3%
Salaries and benefits	6,002,341	5,600,855	65.4%	68.4%
General and administrative expenses	1,672,798	1,748,015	18.2%	21.4%
Amortization	225,239	227,935	2.5%	2.8%
Net income for the year	\$ 1,276,203	\$ 605,932	13.9%	7.4%

Consolidated Revenues

The table below provides details of the Company's revenues by category.

	2008		2007	
	2008	2007	2008	2007
Work fees	\$ 6,803,415	\$ 5,948,551	74%	73%
Completion and milestone fees	141,163	139,271	2%	2%
Provincial government revenue	1,909,000	1,800,000	21%	22%
Other revenue	323,003	294,915	3%	3%
	\$ 9,176,581	\$ 8,182,737	100%	100%

Consolidated revenues for the year ended March 31, 2008 were \$9,176,581 of which \$6,803,415 or 74 per cent was for work fees, \$141,163 or two per cent was for completion and milestone fees and \$1,909,000 or 21 per cent was revenue from the government services contract. In comparison, consolidated revenues for the year ended March 31, 2007 were \$8,182,737 of which \$5,948,551 or 73 per cent was for work fees, \$139,271 or two per cent was for completion and milestone fees and \$1,800,000 or 22 per cent was revenue from the government services contract.

Partnerships BC was able to increase its work fees by \$854,864 or 14 per cent even though it maintained its existing pricing structure in fiscal 2007-08. The increase was attributable to the projects in the market as described above. In addition, the platform of experience from over 20 projects across British Columbia that are complete, under construction or in the market has translated into efficiencies and best practices which, in turn, has provided Partnerships BC with the ability to manage more projects with the same number of employees and contractors.

Going forward, Partnerships BC's 2008-09 Service Plan anticipates a growing business model with 45 FTEs. Partnerships BC estimates revenue growth of 17 per cent in its 2008-09 Service Plan. This includes the completion fee of \$1,000,000 for reaching substantial completion on the ARHCC project, and revenues expected under the capital standard, whereby if the Province contributes \$20 million or more to a capital project, the preferred procurement option will be a public private partnership unless there is a compelling reason that an alternative approach will provide a better value. In addition, the Company is expecting new engagements with ministries, provincial health authorities, Crown corporations, municipalities, other provincial governments and the Government of Canada.

The table below provides changes to the Company's revenues by category.

	2008	2007	Change	%
Work fees	\$ 6,803,415	\$ 5,948,551	\$ 854,864	14.4%
Completion and milestone fees	141,163	139,271	1,892	1.4%
Provincial government revenue	1,909,000	1,800,000	109,000	6.1%
Other revenue	323,003	294,915	28,088	9.5%
	<u>\$ 9,176,581</u>	<u>\$ 8,182,737</u>	<u>\$ 993,844</u>	<u>12.1%</u>

Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from a number of provincial government ministries, Crown corporations, universities, colleges and non-ministry sources. In 2007-08, Partnerships BC's clients included:

- Ministry of Health and Provincial Health Authorities
- Ministry of Transportation
- Ministry of Education
- Ministry of Economic Development
- Ministry of Tourism, Sport and the Arts
- British Columbia Colleges and Universities
- British Columbia School Districts
- British Columbia Municipalities
- British Columbia Crown Corporations
- Other Provincial Governments
- Government of Canada

The table below provides details of the Company's work fees by sector.

	2008	2007	2008	2007
Ministry of Health and Provincial Health Authorities	\$ 3,323,924	\$ 2,712,370	48.9%	45.6%
Ministry of Transportation	1,275,441	957,550	18.7%	16.1%
Ministry of Education	439,021	176,720	6.5%	3.0%
British Columbia Municipalities	335,718	84,262	4.9%	1.4%
British Columbia Crown Corporations	256,366	10,530	3.8%	0.2%
British Columbia Universities and Colleges	132,953	367,890	2.0%	6.2%
Other Provincial Governments	155,030	119,220	2.3%	2.0%
Ministry of Economic Development	27,381	317,920	0.4%	5.3%
Ministry of Tourism, Sport and the Arts	16,830	306,413	0.2%	5.2%
Others	840,751	895,676	12.3%	15.0%
	\$ 6,803,415	\$ 5,948,551	100.0%	100.0%

Completion and Milestone Fees

Completion and milestone fees are recognized when the services rendered under contracts are completed or the milestones are achieved, dependent upon the performance review by the client.

Completion and milestone fees of \$141,163 were recognized for the year ended March 31, 2008. These fees were year-end fees earned from the Ministry of Transportation for satisfactory performance and delivery of services during the year.

In comparison, completion and milestone fees of \$139,271 were recognized for the year ended March 31, 2007. The completion and milestone fees were earned from the Ministry of Transportation and Vancouver Island Health Authority for satisfactory performance and delivery of services.

The table below provides details of the Company's completion and milestone fees by sector.

	2008	2007	2008	2007
Ministry of Transportation	\$ 141,163	\$ 114,736	100.0%	82.4%
Ministry of Health and Provincial Health Authorities	-	24,535	0.0%	17.6%
	\$ 141,163	\$ 139,271	100.0%	100.0%

Going forward, Partnerships BC budgeted to receive \$1,000,000 in completion fees from the Ministry of Health when ARHCC reaches substantial completion, which is expected to be May 6, 2008.

Provincial Government Revenue

Under the terms of the government services contract, the Province provides the Company with an annual payment for a variety of services, including:

- Generally developing the public private partnership market for British Columbia projects.
- Assisting agencies in identifying and assessing public private partnership opportunities.
- Providing policy expertise.
- Developing best practices for public private partnerships and alternative procurement methods.
- Exploring opportunities in other jurisdictions to expand the application of best practices across Canada.
- Providing other advisory and consulting services directly to the Province and/or organizations on an ongoing basis whose costs are not attributable to a specific project.

This revenue is recognized on a monthly basis.

The government services contract commenced on April 1, 2002 and ended on March 31, 2008. The term will automatically be renewed for successive periods of one year each unless either party gives at least 90 days prior written notice of non-renewal to the other. In addition, at any time during the term, either party may terminate the agreement by giving not less than six months prior written notice of termination to the other party, in which case the agreement will terminate on the effective date of the notice.

Negotiations are currently underway with the Ministry of Finance to renew the contract.

Provincial government revenue for these services increased in 2007-08 from \$1,800,000 to \$1,909,000 to reflect a cost of living increase provided by the Province.

Other services provided to the provincial government which are not covered under the government services contract are completed under separate negotiated contracts. The revenue earned from these contracts was recorded under work fees.

Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project. For the year ended March 31, 2008, project recoveries were \$5,198,802 compared to \$3,383,535 for the year ended March 31, 2007. The increase in project recoveries was due to several projects entering the market: Surrey Outpatient Facility, Royal Jubilee Hospital Patient Care Centre in Victoria, Kelowna and Vernon Hospitals Project, Port Mann/Highway 1 Project and Duchess Park Secondary School Project.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2008, other revenue was \$323,003 compared to \$294,915 for the year ended March 31, 2007.

Comparison to Budget

The table below provides details of the Company's actual and budgeted revenues for 2007-08.

	2008 Actual	2008 Budget	Change	%
Work fees	\$ 6,803,415	\$ 7,686,400	\$ (882,985)	-11.5%
Completion and milestone fees	141,163	-	141,163	0.0%
Provincial government revenue	1,909,000	1,800,000	109,000	6.1%
Other revenue	323,003	231,000	92,003	39.8%
	\$ 9,176,581	\$ 9,717,400	\$ (540,819)	-5.6%

For the year ended March 31, 2008, gross revenues were six per cent below budget. This was primarily due to the timing of project approvals and projects entering procurement. With five projects in procurement in 2007-08 that are expected to reach financial close in 2008-09, the timing of recognition of these work fees has shifted from 2007-08 to 2008-09.

Expenses

The table below provides details of the Company's operating expenses for 2007-08 and 2006-07.

	2008	2007	Change	%
Salaries and benefits	\$ 6,002,341	\$ 5,600,855	\$ 401,486	7.2%
General and Administrative Expenses				
Administration	379,677	355,674	24,003	6.7%
Building occupancy	506,050	539,297	(33,247)	-6.2%
Communications	41,782	24,502	17,280	70.5%
Information systems	193,958	165,336	28,622	17.3%
Professional services	377,042	420,179	(43,137)	-10.3%
Travel	174,289	243,027	(68,738)	-28.3%
Amortization	225,239	227,935	(2,696)	-1.2%
	\$ 1,898,037	\$ 1,975,950	\$ (77,913)	-3.9%
Total Operating Expenses	\$ 7,900,378	\$ 7,576,805	\$ 323,573	4.3%
% of expenses over revenues	86.1%	92.6%		
% of general and administrative expenses over revenues	20.7%	24.1%		

For the year ended March 31, 2008, there was an increase in operating expenses of \$323,573 or four per cent compared to last year. The increase was primarily attributable to the following:

- Salaries and benefits
- Administration
- Communications
- Information systems

The increase in salaries and benefits of \$401,486 was attributable to the increase in the number of employees and consultants required to resource existing projects and new work. This was in line with the Company's business model for 2007-08, which was focused more on work fees and less on completion and milestone fees. In addition, the Company had engaged an individual to be its acting Vice President, Partnerships Delivery and Development while it undertook a search process to recruit a permanent replacement.

Partnerships BC recognizes that a key component of an effective compensation philosophy is the need to maintain a meaningful degree of competitiveness with the relevant external labour market. As a result, Partnerships BC engages a compensation consultant to review its compensation philosophy and ranges every two years. A compensation review was recently completed and the recommendations were approved by the Board of Directors.

There was also an increase in Directors' compensation which was in line with Treasury Board guidelines.

Lastly, there were more employees who were eligible for the Company's benefit and pension plans as there was no longer a six month eligibility waiting period.

The increase in administration costs of \$24,003 was attributable to increases in the following areas:

- Business meeting expenses as a result of increased business development activities in the second half of 2007-08.
- Telephone expenses as a result of increased communication (telephone, teleconference and internet) due to having five projects in procurement.

The increase in communications costs of \$17,280 was mainly due to the hiring of a third party to conduct the Company's client satisfaction survey, which was in line with the Company's 2007-08 Service Plan objectives.

The increase in information systems expenses of \$28,622 was due to the following:

- During the fourth quarter of fiscal 2007-08, the Company transitioned its information technology support and helpdesk services from its current provider to a new provider, but kept both providers on contract for one and a half months to ensure a smooth transition process.
- Partnerships BC increased the network line between its two offices to accommodate the increased network demand as a result of having five projects in procurement.

During the year, the Company signed a new five year lease for its Victoria office. The new lease was effective September 1, 2007 and has the following base rent commitments: \$15.50 per square foot in the first year; followed by \$16.50 per square foot in the second year; and, \$17.50 in the last three years. The increase in the base rent, together with the increases in operating costs, contributed to an increase in building occupancy costs. However, the Company had a decrease in building occupancy costs of \$33,247 in fiscal 2007-08 compared to fiscal 2006-07. This was due to the return of approximately 3,300 square foot of office space in Victoria which was deemed unnecessary based on the budgeted number of full-time equivalent positions in 2008-09.

The decrease in travel expenses of \$68,738 was due to the decrease in non-recoverable travel as the majority of travel was conducted on behalf of clients and, therefore, recoverable from the projects. The decrease was also due to an arrangement with one of its transportation providers for market competitive fares during non-peak travel season.

The decrease in professional fees of \$43,137 was due to the delay in implementation of certain initiatives, namely the commencement of the 2007-08 leadership development program.

Overall, the Company's general and administrative expenses as a percentage of revenues for 2007-08 were 20.7 per cent which was significantly lower than 24.1 per cent achieved in 2006-07.

Comparison to Budget

The table below provides details of the Company's actual and budgeted expenses for 2007-08.

	2008 Actual	2008 Budget	Change	%
Salaries and benefits	\$ 6,002,341	\$ 6,030,167	\$ (27,826)	-0.5%
General and Administrative Expenses				
Administration	379,677	399,860	(20,183)	-5.0%
Building occupancy	506,050	528,944	(22,894)	-4.3%
Communications	41,782	127,500	(85,718)	-67.2%
Information systems	193,958	164,920	29,038	17.6%
Professional services	377,042	514,300	(137,258)	-26.7%
Travel	174,289	261,910	(87,621)	-33.5%
Amortization	225,239	308,169	(82,930)	-26.9%
	\$ 1,898,037	\$ 2,305,603	\$ (407,566)	-17.7%
	\$ 7,900,378	\$ 8,335,770	\$ (435,392)	-5.2%
% of expenses over revenues	86.1%	85.8%		
% of general and administrative expenses over revenues	20.7%	23.7%		

Salaries and benefits for the year ended March 31, 2008 were under budget by \$27,826. The Company had budgeted for a full complement of staff, which included new hires for vacant positions and timely replacement of employees who left or retired from Partnerships BC. Although the budget was for 42.70 FTEs, Partnerships BC had an average of 41.76 FTEs in 2007-08. The Company did not fully replace some senior employees who resigned or retired during the year. Instead, the Company contracted individuals who were Project Directors and Senior Consultants with project management skills to provide short-term project resources.

Building occupancy costs for the year ended March 31, 2008 were under budget by \$22,894 as the Company returned approximately 3,300 square feet of space in its Victoria office. The space was deemed unnecessary for the budgeted full-time equivalent positions in 2008-09.

Communications expenses for the year ended March 31, 2008 were under budget by \$85,718 as the Company did not completely utilize its communications consultants' budget, as there were sufficient internal resources to complete all the required communication initiatives.

Professional fees for the year ended March 31, 2008 were under budget by \$137,258 as the Company did not fully utilize its technical and financial consultants' budgets and also delayed the commencement of its 2007-08 leadership development program. The Company budgeted for and anticipates these expenses to be spent in 2008-09.

Travel expenses for the year ended March 31, 2008 were under budget by \$87,621 as there were more projects in procurement which resulted in a reduction in non-recoverable travel. It was also due to an arrangement with one of its transportation providers for market competitive fares during non-peak travel season.

Information systems for the year ended March 31, 2008 were over budget by \$29,038 because the Company expanded its existing network line between its Vancouver and Victoria offices. In addition, the Company transitioned its information technology support and helpdesk services contract to a new provider while keeping its previous provider on contract for one and a half months to ensure a smooth transition.

Overall, total expenses for the year ended March 31, 2008 as a percentage of revenues were 86.1 per cent compared to the budget of 85.8 per cent last year. However, general and administrative expenses for the year ended March 31, 2008 as a percentage of revenues were under budget expectations, 20.7 per cent versus 23.7 per cent. This reflected the Company's efforts to manage and control general and administrative costs during the year.

Balance Sheet

The table below presents a comparison of selected balance sheet items of the current fiscal year with those of the previous fiscal year. The following table should be read in conjunction with Note 3 to the Notes to Consolidated Financial Statements.

	2008	2007	Change	%
Cash and cash equivalents	\$ 54,393,982	\$ 107,210,335	\$(52,816,353)	-49.3%
Accounts receivable	9,637,858	6,654,849	2,983,009	44.8%
Property and equipment - hospital	408,701,731	228,170,933	180,530,798	79.1%
Deferred development costs	9,204,103	11,069,814	(1,865,711)	-16.9%
Other assets	455,222	357,088	98,134	27.5%
Total assets	482,392,896	353,463,019	128,929,877	36.5%
Accounts payable and accrued liabilities	2,109,103	2,800,576	(691,473)	-24.7%
Loan payable	378,585,821	262,640,358	115,945,463	44.1%
Deferred capital contribution	88,972,144	76,572,460	12,399,684	16.2%
Total liabilities	469,667,068	342,013,394	127,653,674	37.3%
Total shareholder's equity	\$ 12,725,828	\$ 11,449,625	\$ 1,276,203	11.1%

Cash and cash equivalents decreased by \$52,816,353 from \$107,210,335 as at March 31, 2007 to \$54,393,982 as at March 31, 2008. The breakdown of cash and cash equivalents as at March 31, 2008 was as follows: \$8,170,096 in cash, \$45,015,074 in restricted cash, and \$1,208,812 in investments (of which \$709,350 was pledged to the Canadian Imperial Bank of Commerce as security for a Letter of Credit to the City of Abbotsford). In comparison, the breakdown of cash and cash equivalents as at March 31, 2007 was as follows: \$7,035,926 in cash, \$98,985,598 in restricted cash, and \$1,188,811 in investments (of which \$709,350 was pledged to the Canadian Imperial Bank of Commerce as security for a Letter of Credit to the City of Abbotsford). The decrease in restricted cash was due to the procurement of medical equipment for ARHCC. Of the \$83,500,000 in the medical equipment account, \$28,073,140 was not spent as at March 31, 2008. In addition, \$10,093,007 was received from the Fraser Valley Regional Hospital District (FVRHD) for their share of the capital contribution to construct ARHCC. The transfer of these funds was based on an agreed upon schedule between FVRHD and ARHCC. The amount of the restricted cash will be expended, with the exception of any approved holdbacks, when construction of the hospital and cancer centre is substantially complete, expected to be May 6, 2008.

Accounts receivable increased by \$2,983,009 from \$6,654,849 as at March 31, 2007 to \$9,637,858 as at March 31, 2008. Overall, there was a decrease in accounts receivable if accrued interest of \$3,309,727 from the equipment allowance account was excluded from the calculation. The decrease was attributable to the Company's requirement to meet its internal benchmark of current accounts receivable of 70 per cent of its total receivables at month-end. It was also due to the Company's system which allowed the recovery of out of pocket or recoverable costs from clients in a timely manner. As at March 31, 2008, Partnerships BC's current receivables (between 0 and 30 days) was 93 per cent.

Property and equipment - hospital consists of land, construction in progress and equipment. Construction in progress is based upon the percentage of construction completed as certified by an independent third party certifier, plus interest capitalized during construction. The project is 99 per cent complete and the common shares of ARHCC will be transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008. The project is on budget and on schedule and there have been no delays or net change orders during the construction process.

Deferred development costs represent the direct development and overhead costs or operating costs (i.e. salaries and benefits to staff and professional fees to contractors), net of unrestricted interest earned directly attributable to the ARHCC project. Deferred development costs: ARHCC's project expenses increased by \$1,444,016, offset by unrestricted interest earned of \$3,309,727 which resulted in a balance of \$9,204,103 as at March 31, 2008.

There were no significant changes to other current assets. There was an increase in property and equipment - office, in line with the Company's approved capital expenditures budget of \$323,121, but this was offset by amortization expenses of \$225,239.

Liabilities and Shareholder's Equity

Accounts payable and accrued liabilities decreased by \$691,473 from \$2,800,576 as at March 31, 2007 to \$2,109,103 as at March 31, 2008. The decrease was due to payment of trade accounts payable.

Partnerships BC has always taken advantage of its terms and credit availability with suppliers and pays all invoices when due, normally within 30 days.

Loan payable increased by \$115,945,463 during the year to reflect the change in accounting for ARHCC's construction in progress. In Q4 of 2007-08, in accordance with new accounting guidelines adopted by the Province, ARHCC changed its accounting policy and based its construction in progress on the total value of the contract, which includes all related interest costs during construction.

Deferred capital contribution represents contributions received from the FVRHD and reimbursements from the Ministry of Health for ARHCC's monthly operating costs. During the year, the FVRHD contributed \$10,093,007 (2007 - \$18,600,000) and \$1,411,374 (2007 - \$1,528,258) was received from the Ministry of Health, resulting in a balance of \$88,972,144 as at March 31, 2008.

The increase in shareholder's equity was attributable to the net income earned during the year. The Company's shareholder has approved Partnerships BC retaining its earnings.

Statements of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the Company's cash and cash equivalents for the current fiscal year with that of the previous fiscal year.

	2008	2007	Change
Cash and cash equivalents, beginning of year	\$ 107,210,335	\$ 30,452,092	\$ 76,758,243
Cash provided by (used by):			
Operating activities	1,136,435	1,319,038	(182,603)
Investing activities	(107,629,189)	(103,904,344)	(3,724,845)
Financing activities	53,676,401	179,343,549	(125,667,148)
Cash and cash equivalents, end of year	\$ 54,393,982	\$ 107,210,335	\$ (52,816,353)

Cash flow from operating activities

Cash flow from operating activities was \$1,136,435 in 2007-08 compared to a cash flow of \$1,319,038 in 2006-07, a decrease of \$182,603. Net income increased \$670,271 but there was a reduction in working capital, especially accounts payable and accrued liabilities, which resulted in a decrease in cash flow from operations.

Cash flow from investing activities

Cash used in investing activities was \$107,629,189 in 2007-08 compared to \$103,904,344 in 2006-07, a decrease of \$3,724,845. The decrease was due to the change in ARHCC's property and equipment and an increase in property and equipment - office, which was in line with the Company's approved capital expenditures budget.

Cash flow from financing activities

Cash flow from financing activities was \$53,676,401 in 2007-08 compared to \$179,343,549 in 2006-07, a decrease of \$125,667,148. In 2006-07, the Company received \$83,500,000 from its private sector partner, Access Health Abbotsford Ltd. (AHA), to procure medical equipment for the hospital and cancer centre. In comparison, in 2007-08, cash flow from financing activities were primarily for the construction of the hospital and cancer centre and contributions from FVRHD. The FVRHD contributions were for their share of the hospital and cancer centre's construction costs. The Company had budgeted to receive \$18,600,000 in 2006-07 and \$10,093,007 in 2007-08.

The table below presents a comparison of the Company's working capital position for the current fiscal year with that of the previous fiscal year.

	2008	2007	Change
Cash and cash equivalents	\$ 54,393,982	\$ 107,210,335	\$ (52,816,353)
Accounts receivable	9,637,858	6,654,849	2,983,009
Other current assets	35,918	35,666	252
	64,067,758	113,900,850	(49,833,092)
Accounts payable and accrued liabilities	2,109,103	2,800,576	(691,473)
Net working capital	\$ 61,958,655	\$ 111,100,274	\$ (49,141,619)

As at March 31, 2008, the Company's principal sources of liquidity include cash and cash equivalents of \$54,393,982 and accounts receivable of \$9,637,858. The Company also has \$2,109,103 in accounts payable and accrued liabilities due next year.

Commitments

The Company is committed to payments under operating leases for premises through fiscal 2012-13 as follows:

Year	Amount
2009	\$ 491,365
2010	357,740
2011	165,381
2012	165,381
2013	68,909
	\$ 1,248,776

Loan Payable and Contractual Obligations

The expenditures made towards property and equipment - hospital are recorded as a loan payable. Partial repayments are made from contributions received from the Fraser Valley Regional Hospital District. These repayments are made on a quarterly basis. The financing terms are closely bound to the public private partnership agreement and as such there is no stated interest rate. An estimated interest rate of six 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, expected to be May 2008 until April 2038.

ARHCC will start making payments once the hospital and cancer centre reaches substantial completion. The estimated payments excluding any bonuses or penalties are as follows:

Year	Loan Payable	Facilities Management and Financing	Total
2009	\$ 4,788,699	\$ 31,490,301	\$ 36,279,000
2010	5,076,020	36,907,980	41,984,000
2011	5,380,582	37,442,418	42,823,000
2012	5,703,417	37,976,583	43,680,000
2013	6,045,622	38,507,378	44,553,000
Thereafter	351,591,481	1,121,089,519	1,472,681,000
	<u>\$ 378,585,821</u>	<u>\$ 1,303,414,179</u>	<u>\$ 1,682,000,000</u>

Prior Period Adjustment

In the prior year, cash held in trust by the private sector partner, AHA, to be used for ARHCC's equipment purchases was not reported in the Company's financial statements. While the cash was held in an account under ARHCC's name, the account was under the control and management of AHA for the purposes of purchasing medical equipment for the hospital and cancer centre. Payments going through the account are verified by ARHCC. The prior year's accounting treatment was deemed appropriate at that time based on the evidence, circumstances and the methodology by which the value of a public private partnership asset was determined.

In the current year, the majority of the cash has been used for ARHCC equipment purchases with the balance disclosed as cash and cash equivalents. Due to the provincial accounting changes that have come into effect this year with respect to the methodology by which the value of public private partnership assets are determined, the Company had to determine if the reporting of the remaining cash held in trust this year constituted a change in accounting practice (and which would require retroactive restatement) or whether it was the result from the determination this year of the appropriate carrying value of the hospital and cancer centre procured under a public private partnership model (which would not require retroactive restatement). There are justifications for either treatment and initially the Company was considering the non-retroactive treatment. However, prior to finalizing the financial statements, the Company determined that the retroactive restatement provided the most consistent and transparent disclosure – particularly making the Statement of Cash Flows more relevant. In addition, the adjustments to the 2007-08 comparative financial statements would provide a proper continuity from year-to-year of the cash held in trust.

As a result of the above, the 2007-08 comparative consolidated balance sheet and statement of cash flows have been adjusted to disclose these amounts. Related to this change, interest earned on these funds held in trust has been recorded as an accounts receivable. There was no impact to revenues, expenses, net income or retained earnings of the Company in either the current or prior year as a result of this change. The impact of the adjustment is disclosed in Note 17 to the consolidated financial statements.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2008, 2007 and 2006.

	2008	2007	2006
Total revenues	\$ 9,176,581	\$ 8,182,737	\$ 8,714,803
Total operating expenses	\$ 7,900,378	\$ 7,576,805	\$ 7,252,417
Net income (loss)	\$ 1,276,203	\$ 605,932	\$ 1,462,386
Total current assets	\$ 64,067,758	\$ 113,900,850	\$ 34,712,373
Total assets	\$ 482,392,896	\$ 353,463,019	\$ 173,388,565
Total current liabilities	\$ 2,109,103	\$ 2,800,576	\$ 2,675,603
Total liabilities	\$ 469,667,068	\$ 342,013,394	\$ 162,544,872

Outlook for Fiscal 2008-09

Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Looking forward to 2008-09, Partnerships BC will continue to evaluate, structure and implement public private partnership solutions which serve the public interest. Fiscal 2007-08 was the first full year that the Province's capital standard was implemented. The implementation of the new capital standard, together with projects in the market in the health, transportation and education sectors and new clients in the energy sector, municipalities, other provincial governments and the Government of Canada, should enable Partnerships BC to meet its revenue growth and net income margin (pre-variable compensation) targets as outlined in its 2008-09 to 2010-11 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbcc.ca

Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2008, 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, 2008.

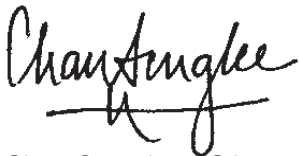
Management is responsible for the preparation of the consolidated financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation 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
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, 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 audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'BDO Dunwoody LLP' in a cursive, stylized script.

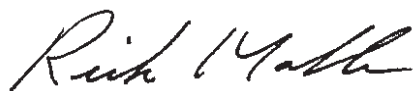
Vancouver, British Columbia
April 18, 2008

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Balance Sheets as at March 31**

	2008	2007
ASSETS		(Note 17)
Current assets		
Cash and cash equivalents (Note 4)	\$ 54,393,982	\$ 107,210,335
Accounts receivable	9,637,858	6,654,849
Other current assets	35,918	35,666
Total current assets	64,067,758	113,900,850
Property and equipment - office (Note 5)	419,304	321,422
Property and equipment - hospital (Note 6)	408,701,731	228,170,933
Deferred development costs (Note 7)	9,204,103	11,069,814
Total assets	\$ 482,392,896	\$ 353,463,019

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

APPROVED ON BEHALF OF THE BOARD



R.T. Mahler, Director



H. Calla, Director

PARTNERSHIPS BRITISH COLUMBIA INC.**Consolidated Balance Sheets as at March 31**

	2008	2007
LIABILITIES		(Note 17)
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,109,103	\$ 2,800,576
Total current liabilities	2,109,103	2,800,576
Loan payable (Note 12)	378,585,821	262,640,358
Deferred capital contribution (Note 8)	88,972,144	76,572,460
Total liabilities	469,667,068	342,013,394
SHAREHOLDER'S EQUITY		
Share capital		
Authorized		
5,000,000 common shares, no par value		
Issued		
2 common shares	2	2
Contributed surplus (Note 9)	7,152,726	7,152,726
Retained earnings	5,573,100	4,296,897
Total shareholder's equity	12,725,828	11,449,625
Total liabilities and shareholder's equity	\$ 482,392,896	\$ 353,463,019

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**

	2008	2007
REVENUES		
Fees for services	\$ 6,944,578	\$ 6,087,822
Provincial government revenue	1,909,000	1,800,000
Other revenue	323,003	294,915
	<u>9,176,581</u>	<u>8,182,737</u>
EXPENSES		
Operating expenses		
Administration	379,677	355,674
Amortization	225,239	227,935
Building occupancy	506,050	539,297
Communications	41,782	24,502
Information systems	193,958	165,336
Professional services	377,042	420,179
Salaries and benefits	6,002,341	5,600,855
Travel	174,289	243,027
Total operating expenses	<u>7,900,378</u>	<u>7,576,805</u>
Operating income	1,276,203	605,932
Project recoveries	5,198,802	3,383,535
Project expenses (Note 10)	5,198,802	3,383,535
	<u>-</u>	<u>-</u>
Net income	1,276,203	605,932
Retained earnings, beginning of year	4,296,897	3,690,965
Retained earnings, end of year	<u>\$ 5,573,100</u>	<u>\$ 4,296,897</u>

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**

	2008	2007
Operating activities		(Note 17)
Net income	\$ 1,276,203	\$ 605,932
Add:		
Amortization	225,239	227,935
	1,501,442	833,867
Changes in working capital items:		
Accounts receivable	326,718	323,494
Other current assets	(252)	36,704
Accounts payable and accrued liabilities	(691,473)	189,973
Deferred revenue	-	(65,000)
Cash provided by operating activities	1,136,435	1,319,038
Investing activities		
Decrease in long-term investment	-	709,350
Purchase of property and equipment - office	(323,121)	(195,764)
Increase in property - hospital	(50,469,550)	(102,838,151)
Increase in equipment - hospital	(55,392,502)	(34,358)
Deferred development costs	(1,444,016)	(1,545,421)
Cash (used) by investing activities	(107,629,189)	(103,904,344)
Financing activities		
Cash received for property - hospital	41,276,717	74,772,902
Cash received for equipment - hospital	-	83,500,000
Deferred capital contribution	12,399,684	21,070,647
Cash provided by financing activities	53,676,401	179,343,549
Increase (decrease) in cash and cash equivalents	(52,816,353)	76,758,243
Cash and cash equivalents, beginning of year	107,210,335	30,452,092
Cash and cash equivalents, end of year	\$ 54,393,982	\$ 107,210,335

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

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****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 has been mandated to promote public private partnerships and to advise, support and, in some cases, manage the creation of public private partnerships and to carry out related activities. The mandate of the Company is to maximize the value to the Province of public capital assets, such as hospitals, educational facilities and highways and to minimize the cost and improve the quality of government services provided using these assets.

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.
- 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 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*. As set out in Note 3 to the financial statements, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority upon completion of the project, which is expected to be May 6, 2008.

2. Summary of Significant Accounting Policies

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

a. Principles of Consolidation

The Consolidated Financial Statements include the accounts of Partnerships BC and its wholly-owned subsidiary ARHCC.

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.

Prior to April 1, 2007, short-term investments were carried at the lower of original cost or market.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****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

Construction in progress and ARHCC equipment will be amortized over their estimated useful lives when ARHCC commences operations.

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. When the project is complete, these costs will form part of the capitalized cost of the asset.

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 RecognitionProject 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.

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 assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

h. Comprehensive Income and Equity

Effective January 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 1530, "Comprehensive Income" and Section 3251, "Equity". These new accounting standards apply to fiscal years beginning on or after October 1, 2006.

- Section 1530 provides standards for reporting and display of comprehensive income, which is the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.
- Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in Section 3251 are in addition to Section 1530.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007**

The adoption of these new Handbook sections had no impact on the financial statements for the year ended March 31, 2008.

i. Financial Instruments

Effective April 1, 2007, the Company also adopted the new recommendations of the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861, "Financial Instruments – Disclosure and Presentation". These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Section 3855 requires financial instruments to be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading items in which case they are expensed as incurred. Section 3855 also requires that the embedded derivatives identified and separated from the related host contract and be

measured at fair value. Subsequent changes in fair value of embedded derivatives are recognized in the statement of operations in the period the change occurs.

Section 3861 establishes the requirements for presentation and disclosure of financial instruments and non-financial derivatives.

Upon adoption of these new standards, the Company has classified cash and cash equivalents as held-for-trading, accounts receivables as loans and receivables, and accounts payable and accrued liabilities and loan payable as other financial liabilities. The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities equate to their original carrying value due to their short-term nature. The loan payable has no stated interest rate and terms are closely tied to the public private partnership agreement and as such, a fair value cannot be reasonably determined.

j. Accounting Changes

In July 2006, the CICA revised Section 1506, "Accounting Changes", which now requires that: (i) a voluntary change in accounting principles can be made if, and only if, it is required by a primary source of generally accepted accounting principles or the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justifications for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The revised section is effective for the Company's financial year beginning April 1, 2007.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****k. Future Accounting Standards**

During the fourth quarter of 2006, the CICA issued three new accounting standards: CICA Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting periods beginning April 1, 2008.

Capital Disclosure section describes the standards for disclosing information about a company's objectives, policies and processes for managing capital, quantitative data about what a company regards as capital and whether a company has complied with any capital requirements and, if not, the consequences of such non-compliance. Financial Instruments – Disclosures requires disclosure on the face of the balance sheet of each of the financial instrument categories as well as additional disclosure regarding credit, market and liquidity risk faced by the Company. Financial Instruments – Presentation carried forward the guidance under Section 3861 with little change.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

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.

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.

Once the project is completed, expected to be May 6, 2008, ownership of ARHCC will be transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre (see Note 12).

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

	2008	2007
Current assets	\$ 52,248,232	\$ 102,556,172
Property and equipment - hospital	408,701,731	228,170,933
Deferred development costs	9,204,103	11,069,814
Total assets	<u>\$ 470,154,066</u>	<u>\$ 341,796,919</u>
Current liabilities	\$ 28,000	\$ 16,000
Deferred capital contribution	88,972,144	76,572,460
Loan payable	378,585,821	262,640,358
Net assets	<u>2,568,101</u>	<u>2,568,101</u>
Total liabilities and net assets	<u>\$ 470,154,066</u>	<u>\$ 341,796,919</u>

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****4. Cash and Cash Equivalents**

	2008	2007
Cash	\$ 8,170,096	\$ 7,035,926
Restricted cash	45,015,074	98,985,598
Short-term investments	1,208,812	1,188,811
	<u>\$ 54,393,982</u>	<u>\$ 107,210,335</u>

Restricted cash represents contributions from the Fraser Valley Regional Hospital District for construction costs in relation to the hospital and cancer centre (see Note 1). Restricted cash also includes an amount to procure the 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.

Short-term investments totalling \$709,350 are pledged as security for one (1) (2007 – one (1)) letter of credit. Investments with maturities greater than one year are disclosed as long-term investment.

5. Property and Equipment - Office

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Computer software	\$ 278,658	\$ 198,631	\$ 80,027	\$ 54,712
Computer hardware	298,672	219,662	79,010	101,390
Furniture and equipment	152,016	89,582	62,434	32,345
Leasehold improvements	377,926	182,255	195,671	96,294
Knowledge management	97,382	95,220	2,162	36,681
Website development	18,398	18,398	-	-
	<u>\$ 1,223,052</u>	<u>\$ 803,748</u>	<u>\$ 419,304</u>	<u>\$ 321,422</u>

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****6. Property and Equipment - Hospital**

	2008	2007
Land	\$ 4,619,654	\$ 4,611,647
Construction in progress	348,655,217	223,524,928
Equipment	55,426,860	34,358
	<u>\$ 408,701,731</u>	<u>\$ 228,170,933</u>

Construction in progress is based upon the percentage of construction completed as certified by an independent third-party certifier, plus interest capitalized during construction.

The project is 99 per cent complete and the common shares of ARHCC will be transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008 (see Note 16). The total completion cost is estimated to be \$449 million.

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 (see Note 1).

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 the Company's monthly operating costs. During the year, ARHCC received \$10,093,007 (2007 - \$18,600,000) in contributions from the Fraser Valley Regional Hospital District and \$1,411,374 (2007 - \$1,528,258) from the Ministry of Health.

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.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****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	2008	2007
Britannia Mine Water Treatment Plant	\$ 286	\$ 62,298
Children's & Women's Hospital	326,241	954,435
Fraser Health Authority	485,065	16,490
Gateway	1,207,079	1,070,322
Interior Health Authority	158,907	22,114
Kicking Horse Canyon	1,263	52,504
Partenaires public-privé Québec – General	130,091	102,143
Primary Care Access Centres	-	114,533
Vancouver Coastal Health Authority	82,112	122,742
Vancouver Island Health Authority	2,439,434	393,443
Others	368,324	472,511
	\$ 5,198,802	\$ 3,383,535

11. Commitments

Partnerships BC is committed to payments under operating leases for premises through fiscal 2013.

The estimated payments are as follows:

Year	Amount
2009	\$ 491,365
2010	357,740
2011	165,381
2012	165,381
2013	68,909
	\$ 1,248,776

12. Loan Payable and Contractual Obligations

The expenditures made towards property and equipment - hospital are recorded as a loan payable. Partial repayments are made from contributions received from the Fraser Valley Regional Hospital District. These repayments are made on a quarterly basis. The financing terms are closely bound to the public private partnership agreement and as such there is no stated interest rate. An estimated interest rate of six 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, expected to be May 2008 until April 2038.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007****12. Loan Payable and Contractual Obligations (continued)**

ARHCC will start making payments once the hospital and cancer centre reaches substantial completion. The estimated payments excluding any bonuses or penalties are as follows:

Year	Loan Payable	Facilities Management and Financing	Total
2009	\$ 4,788,699	\$ 31,490,301	\$ 36,279,000
2010	5,076,020	36,907,980	41,984,000
2011	5,380,582	37,442,418	42,823,000
2012	5,703,417	37,976,583	43,680,000
2013	6,045,622	38,507,378	44,553,000
Thereafter	351,591,481	1,121,089,519	1,472,681,000
	<u>\$ 378,585,821</u>	<u>\$ 1,303,414,179</u>	<u>\$ 1,682,000,000</u>

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, 2005 indicated an unfunded liability of \$767 million for basic pension benefits.

The next valuation will be as at March 31, 2008, with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The employees of Partnerships BC contributed \$272,590 (2007 - \$273,641) while Partnerships BC paid \$305,037 (2007 - \$306,236) in employer contributions to the Plan in fiscal 2008.

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.

PARTNERSHIPS BRITISH COLUMBIA INC.**Notes to Consolidated Financial Statements
for the Years Ended March 31, 2008 and 2007**

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

	2008	2007
Fees for services	\$ 5,973,194	\$ 5,217,059
Provincial government revenue	1,909,000	1,800,000
Other revenue	322,888	287,500
	<u>\$ 8,205,082</u>	<u>\$ 7,304,559</u>
Operating expenses:		
Information systems	\$ 45,865	\$ 67,006
Professional services	5,383	12,658
Other expenses	33,594	6,346
	<u>\$ 84,842</u>	<u>\$ 86,010</u>
Assets and liabilities with related parties as at March 31, 2008 were:		
Accounts receivable	\$ 2,631,344	\$ 3,734,000
Accounts payable and accrued liabilities	\$ 34,163	\$ 7,000

15. Financial Instruments**a. Interest Rate Risk**

Interest rate risk on cash and investments is limited due to the short-term nature of the investments held.

b. Credit Risk

Partnerships BC grants credit to its clients, the majority of whom are provincial government ministries, agencies and Crown corporations. Credit risk is limited due to the financial stability of these organizations.

16. Other Information

Pursuant to the ARHCC Share Transfer Agreement, on May 6, 2008, the Company will transfer the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

17. Prior Period Adjustment

In the prior year, cash held in trust by the private sector partner for the Company to be used for hospital and cancer centre equipment purchases was not reported in the Company's financial statements. These financial statements now disclose these amounts and the comparative figures have been adjusted to also disclose these amounts. Related to this change, interest earned on these funds held in trust has been recorded as an accounts receivable.

The impact of this adjustment is to:

- Increase cash and cash equivalents in the prior year by \$83,465,642.
- Increase accounts receivable in the prior year by \$2,790,432.
- Increase property and equipment in the prior year by \$34,358.
- Decrease deferred development costs in the prior year by \$2,790,432.
- Increase loan payable in the prior year by \$83,500,000.

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

Information on Subsidiaries

Abbotsford Regional Hospital and Cancer Centre Inc.

Project description and vision

The Abbotsford Regional Hospital and Cancer Centre is planned as a state-of-the-art 300-bed capacity replacement for the aging MSA Hospital in Abbotsford. This project will be an important regional referral hospital for the Fraser Valley and the fifth regional centre in the BC Cancer Agency's provincial cancer control network. The Abbotsford Regional Hospital and Cancer Centre is the first hospital public private partnership project in the history of British Columbia.

The project involves a 30-year performance-based agreement between the public and private sectors. The public sector (the Fraser Health Authority and the Provincial Health Services Authority) will provide all clinical services and the private sector will finance, design and construct the hospital and cancer centre, and maintain the building through the provision of facility management services such as housekeeping, laundry and food. The performance-based partnership agreement specifies high quality standards the private sector must meet otherwise they are subject to financial penalties.

The project vision is:

"Together we will create an innovative environment that inspires caring and the pursuit of knowledge and excellence."

Mission

Abbotsford Regional Hospital and Cancer Centre Inc. (the Company) is responsible for the procurement of the Abbotsford Regional Hospital and Cancer Centre from the competitive process through to the commissioning of the facility, at which point it will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30-year operations phase of the project.

Location of Operations

32900 Marshall Road
Abbotsford, British Columbia

Governance Structure

Abbotsford Regional Hospital and Cancer Centre Inc. was established under the *Business Corporations Act* as the public sector decision making and contractual vehicle for the purposes of the public private partnership.

The Company has a five member Board of Directors, including representatives from Partnerships BC, the Ministry of Health, the Fraser Health Authority and the Provincial Health Services Authority. In addition, the Fraser Valley Regional Hospital District, which is contributing \$71 million toward the capital cost of the project, is represented at the Board in an observer capacity.

Following substantial completion of the project, expected to be May 6, 2008, the shares of the Company will be transferred from Partnerships BC to the Fraser Health Authority and the Provincial Health Services Authority.

"Hospital and cancer centre a model in sustainability."

Sounding Board
June-July 2007

Operations and Results

It has been an extremely successful year for Abbotsford Regional Hospital and Cancer Centre Inc.

Following execution of the Project Agreement on December 7, 2004, intensive schematic design and design development work commenced in a highly consultative fashion and concluded in August 2005. Since that time, clinical programming and planning has been undertaken. In addition, the procurement of equipment for the hospital and cancer centre commenced and was concluded by March 2008. Extensive planning has been undertaken by the health authorities to prepare for the patient move-in date towards the end of the summer. In addition, both health authorities have engaged in recruitment campaigns for the new hospital and cancer centre. As of March 2008, the facility is 99 per cent complete and the project has remained on time, on budget and within the agreed to scope – an unprecedented achievement for a health care facility of this size and complexity.

In Budget 2008, the Province introduced new guidelines for accounting and reporting the capital cost and operating expense associated with public private partnership projects. From now on, certain expenses like interest during construction and project management costs will be included in the capital cost. Under these new accounting guidelines, the capital cost of the Abbotsford Regional Hospital and Cancer Centre is listed at \$449 million. The fixed construction and equipment cost of the facility is \$355 million.

The new hospital and cancer centre will provide:

- \$84 million in state-of-the-art diagnostic equipment and technology.
- New and enhanced health programs and services for residents of the Fraser Valley.
- A healthy, healing and inviting environment for patients, staff and visitors.
- A sustainable and energy efficient building.

The Abbotsford Regional Hospital and Cancer Centre will be open for patients by the end of summer 2008.

Financial Results

The financial results of Abbotsford Regional Hospital and Cancer Centre Inc. can be found under Note 3 to the Partnerships British Columbia Inc. audited consolidated financial statements.

Assets

Cash and cash equivalents decreased by \$53,970,524 from \$99,694,948 as at March 31, 2007 to \$45,724,424 as at March 31, 2008. The breakdown of cash and cash equivalents for 2008 was as follows: \$45,015,074 in restricted cash and \$709,350 in short-term investments. In comparison, the breakdown for 2007 was as follows: \$98,985,598 in restricted cash and \$709,350 in short-term investments. The decrease in restricted cash was due to the procurement of medical equipment. Of the \$83,500,000 in the medical equipment account, \$28,073,140 was not spent as at March 31, 2008.

Accounts receivable relates to a GST receivable and accrued interest receivable.

Property and equipment consists of land, construction in progress and equipment. Construction in progress is based upon the percentage of construction completed as certified by an independent third party certifier, plus interest capitalized during construction. The project is 99 per cent complete and the common shares of Abbotsford Regional Hospital and Cancer Centre will be transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008. The project is on budget and on schedule and there have been no delays or net change orders during the construction process.

Deferred development costs represent the direct development and overhead costs or operating costs (i.e. salaries and benefits to staff and professional fees to contractors), net of unrestricted interest earned directly attributable to the Abbotsford Regional Hospital and Cancer Centre project. Deferred development costs: Abbotsford Regional Hospital and Cancer Centre's project expenses increased by \$1,444,016, offset by unrestricted interest earned of \$3,309,727 which resulted in a balance of \$9,204,103 as at March 31, 2008.

Liabilities and Net Assets

Loan payable increased by \$115,945,463 during the year to reflect the change in accounting for Abbotsford Regional Hospital and Cancer Centre's construction in progress. In Q4 of fiscal 2007-08, in accordance with new accounting guidelines adopted by the Province, the Company changed its accounting policy and based its construction in progress on the total value of the contract, which includes all related interest costs during construction.

Deferred capital contribution represents contributions received from the RHD and reimbursements from the Ministry of Health for Abbotsford Regional Hospital and Cancer Centre Inc.'s monthly operating costs. During the year, the RHD contributed \$10,093,007 (2007 - \$18,600,000) and \$1,411,374 (2007 - \$1,528,258) was received from the Ministry of Health, resulting in a balance of \$88,972,144 as at March 31, 2008.

FTE Count

Abbotsford Regional Hospital and Cancer Centre Inc. has no full-time equivalents.



Abbotsford Regional Hospital and Cancer Centre



partnerships

British Columbia

Contact Information

For more information on
Partnerships British Columbia Inc., contact us at:

**PO Box 9478 Stn Prov Govt
Victoria, BC V8W 9W6**

or visit our website at: www.partnershipsbcc.ca

Kicking Horse Canyon Highway Improvement Project





partnerships
British Columbia



**STATEMENTS
OF
FINANCIAL INFORMATION**

For the year ended March 31, 2008

**PARTNERSHIPS BRITISH COLUMBIA INC.
STATEMENT OF FINANCIAL INFORMATION APPROVAL**

The undersigned represents the Board of Directors of Partnerships British Columbia Inc. and approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.



Larry Blain
President and CEO
September 17, 2008

PARTNERSHIPS BRITISH COLUMBIA INC.
STATEMENT OF DEBTS
AS AT MARCH 31, 2008

This organization has no Long Term Debt issues outstanding for the fiscal year ended March 31, 2008, as required by Financial Information Regulation, Schedule 1, subsections 4(3) and 4(4), produced under the *Financial Information Act*.

Information on Loan Payable is included in Note 12 of the Notes to the Consolidated Financial Statements.

**PARTNERSHIPS BRITISH COLUMBIA INC.
SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS
AS AT MARCH 31, 2008**

Indemnity Agreements in force which required government approval prior to being given under the Guarantees and Indemnities Regulation (BC Reg. 258/87).

Entity	Amount
Victoria Consulting Network Ltd	Unlimited
Capital Works Inc.	Unlimited
Fraser Health Authority	Unlimited
Royal Island Holdings Inc.	Unlimited
Team One Management Inc.	Unlimited
M2PM Limited	Unlimited
Canadian Imperial Bank of Commerce	Unlimited
Northern Sports Centre Limited	Unlimited
Simon Fraser University	Unlimited
Alcan RaiLink Inc.	Unlimited
TA Properties (Canada) Ltd.	Unlimited
AHA Access Health Abbotsford/PCL	Unlimited
City of Abbotsford	Unlimited
KPMG LLP	Unlimited
Pima County	Unlimited

**PARTNERSHIPS BRITISH COLUMBIA INC.
STATEMENT OF SEVERANCE AGREEMENTS
AS AT MARCH 31, 2008**

There was one severance agreement under which payment commenced between Partnerships British Columbia Inc. and its non-unionized employees during fiscal year 2007/2008.

This agreement represents two months of compensation*

* "Compensation" means the value of salary and benefits including Medical Services Plan, Extended Health and Dental, Group Life, Long Term Disability and Pension.

PARTNERSHIPS BRITISH COLUMBIA INC.

**SCHEDULE SHOWING THE REMUNERATION AND EXPENSES
PAID TO OR ON BEHALF OF EACH BOARD MEMBER AND EMPLOYEE**

1. Members of the Board of Directors

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>
Mahler, Rick	Chair	\$25,000.00	\$5,821.98
Andersen, Ed	Member, Board	7,750.00	2,307.87
Calla, Harold	Member, Board	18,000.00	2,289.83
Conner, Susan	Member, Board	11,000.00	11,890.66
Courchene, Celia	Member, Board	20,250.00	2,217.15
Dobell, Colin	Member, Board	13,500.00	2,074.91
Doyle, Dan	Member, Board	13,000.00	1,979.15
Jago, Charles	Member, Board	13,750.00	6,619.87
Lapointe, Barry	Member, Board	6,750.00	3,390.45
Morfitt, Ellen	Member, Board	6,750.00	2,433.30
Steele, Gordon	Member, Board	7,750.00	1,733.10
White, Sharon	Member, Board	5,250.00	816.29
Total		\$148,750.00	\$43,574.56

2. Other Employees

all employees with remuneration and expenses
exceeding \$75,000

<u>Name</u>	<u>Remuneration</u>	<u>Expenses</u>
Bennett, Robert	\$151,305.59	\$15,781.19
Blain, Larry	503,423.52	32,140.49
Burdziuk, Agata	76,206.30	437.95
Burleson, Ronald G	100,233.57	8,477.20
Clark, Sarah	193,081.34	14,195.89
Davies, Jennifer	106,812.54	8,121.96
Deeley, Ben	72,051.35	4,777.20
Duignan, Kyle	78,204.42	310.53
Farrell, Amanda	110,308.04	4,546.24
Fimrite, Sue-Anne Michelle	106,741.50	13,696.25
Good, Jeff	89,225.25	13,707.86
Harrison, Mark	90,742.80	10,655.29
Hiller, Walter	156,720.90	3,160.13
Lee, Chan-Seng	156,923.84	9,573.01
Leeming, Steven	86,895.80	25,498.23
Lynch, Jeri	96,130.21	9,856.25
MacDonald, Jaime	97,030.06	10,553.10
Main, Grant	230,387.95	20,669.87
McAlister, Ann C	106,353.16	32,640.97
Mill, Karen	116,078.01	8,038.00
Nelson, Tera	79,422.02	15,768.02
Simpson, Tom	124,848.52	2,621.58
Steele, Rick	168,661.82	22,602.84
Tinker, Susan	121,752.94	17,077.23
	\$3,219,541.45	\$304,907.28

Consolidated total of other employees with
remuneration and expenses of \$75,000 or less

\$1,045,312.40 \$33,220.04

Total: Other Employees

\$4,264,853.85 \$338,127.32

Reconciliation

Total remuneration - Board of Directors	\$148,750.00
Total remuneration - Other Employees	<u>4,264,853.85</u>

Subtotal **\$4,413,603.85**

Reconciling Items:

Benefits	583,389.20
HR Related Costs	1,342,326.00
Accruals	<u>137,159.31</u>
	<u><u>\$6,476,478.36</u></u>

Total per Statement of Income
and Retained Earnings

Base Salaries & Benefits	\$6,002,341.00
Salaries & Benefits included in Project Expenses	<u>474,137.36</u> <u>\$6,476,478.36</u>

Variance \$0.00

PARTNERSHIPS BRITISH COLUMBIA INC.
SCHEDULE SHOWING PAYMENTS MADE FOR THE PROVISION OF GOODS OR SERVICES

1. List of suppliers who received aggregate payments exceeding \$25,000

Supplier Name	Amount Paid
A.H.B 2000 Inc.	\$149,281.75
ADR Chambers	72,851.51
Altus Group Ltd	74,522.24
Arlington Group Planning & Architecture Inc	35,652.68
BC Cancer Agency	80,912.21
BDO Dunwoody LLP	58,199.92
Bell Canada	46,801.00
Betty Lee Moore	132,523.76
Boughton Law Corporation	59,512.95
Boulevard Transportation Group	55,351.85
Bramcon Project Consultants Ltd	140,171.81
BTY Group	70,391.43
Bull, Housser & Tupper	656,299.04
Canada Revenue Agency	69,421.10
Caroline Webster Consulting Inc.	67,803.07
City of Victoria	146,364.40
Clarke Hubner Consulting Group Ltd	118,646.44
Compro Management Ltd	58,020.98
Corporate Performance Systems Inc	171,435.38
D.F. Technologies	276,513.03
David Alpin Recruiting	30,765.44
DCF Consulting Ltd	135,028.65
Deloitte & Touche LLP	81,760.24
Don Sherritt Consulting Inc.	92,712.79
dysarchitecture	171,657.05
Equitex Property Management	161,840.85
Ernst and Young LLP Chartered Accountants	698,537.33
Fraser Health Authority	698,459.07
Grand & Toy Ltd.	44,350.88
Hollett Consulting Ltd	212,336.16
Keith Stark	35,887.62
King & Company	72,801.29
Kirk & Co. Consulting Ltd.	29,458.18
Lorne Costello	131,937.75
M2PM Limited	82,024.79
Margaret McInnes Consulting Services	133,912.84
Mark Casson Consulting	124,807.21
MHPM Project Managers Inc	66,837.07
Michael R Houle	162,924.85
Ministry of Provincial Revenue	31,350.00
Oracle Corporation Canada Inc.	39,194.30
Pacific Blue Cross	84,388.29
Pacific Meridian Consulting Inc	73,244.10
Payroll Accounting	3,749,442.45
Payworks	782,702.62
Pinton Forrest & Madden Group Inc	56,803.10
PricewaterhouseCoopers LLP	1,887,238.57
Public Service Long Term Disability Fund	49,903.64
Public Service Pension Plan	122,743.88
Redpoint Enterprise Ltd	180,339.98
Rogers Wireless	39,046.10
RPG-Resource Planning Group Inc.	70,439.72

Singleton Urquhart Legal Counsel	39,772.78
Stantec Consulting Ltd.	46,334.99
Steven Leeming	125,854.87
TA Management Limited	351,652.35
The Elliott Consulting Group Inc	207,392.67
Westwynd Retail Consultants Inc	30,874.62
Workplace Technology Services	48,504.35
Zeidler Partnership Architects	821,848.57

Total of payments with aggregate totals over \$25,000	\$14,547,788.56
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2. Consolidated total of payments with aggregate totals under \$25,000	\$878,920.77
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3. Total of payments to suppliers for grants & contributions exceeding \$25,000	0.00
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4. Reconciliation:

Total of aggregate payments exceeding \$25,000 paid to suppliers	\$14,547,788.56
Consolidated total of payments of \$25,000 or less paid to suppliers	878,920.77
Consolidated total of all grants and contributions exceeding \$25,000	0.00
Subtotal	<u>\$15,426,709.33</u>

Reconciling items:

Add: Non-cash expenses	255,626.28
Add: Payments related to employee expenses	418,093.45
Less: Deferred development costs	(1,444,016.00)
Less: GST paid for goods & services	(518,743.30)
Less: Payments related to capital purchases	(331,128.00)
Less: Change in accrued liabilities	(589,009.38)
Less: Payments related to CRA remittances	(60,721.95)
Less: Payments related to Employee Pension	(57,630.43)

\$13,099,180.00

Reconciliation of Supplier Payments to Financial Statements

Total per Statement of Income and Retained Earnings	<u>\$13,099,180.00</u>
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Variance	0.00
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