2008-09
Annual Report

partnerships
British Columbia

PHOTOS

Front cover (clockwise from top): Abbotsford Regional Hospital and Cancer Centre; Britannia Mine Water Treatment Plant; Canada Line *(Photo: Meiric Preece)*; Sea-to-Sky Highway Improvement Project; William R. Bennett Bridge.

Inside cover (clockwise from top): Surrey Outpatient Hospital; Royal Jubilee Hospital Patient Care Centre; Abbotsford Regional Hospital and Cancer Centre; Abbotsford Regional Hospital and Cancer Centre.

Table of Contents

Message from the Chair

I am pleased to present the 2008-09 Annual Report for Partnerships British Columbia Inc. (Partnerships BC).

Partnerships BC has established itself as a centre of expertise recognized internationally for innovation in the procurement of performance-based infrastructure. The Company continues to build a foundation of experience and has participated in more than 30 public private partnership projects (PPPs). These innovative projects are expected to generate significant benefits for taxpayers throughout the term of each agreement. Six projects, delivered using the design build finance maintain (DBFM) delivery model, are now operational: each project was completed either on or ahead of schedule and on budget. Of the remaining DBFM projects that are currently under construction, all are on or ahead of schedule and on budget. In addition, Partnerships BC has participated on a number of projects that are being delivered using the design build (DB) delivery model. Together, these projects make up a total investment of almost $10 billion, $4 billion of which comes from private capital.

During 2008-09, several projects reached key milestones. Two projects entered the operational stage: the William R. Bennett Bridge, which opened 108 days ahead of schedule and within budget; and the Abbotsford Regional Hospital and Cancer Centre, which opened for patients after being completed on time, within budget and within scope. Construction is now underway on Duchess Park Secondary School in Prince George, a DB project. Three projects in the health care sector reached the final agreement stage and are now under construction in communities across the province, including: the Kelowna and Vernon Hospitals Project; the Royal Jubilee Hospital Patient Care Centre in Victoria; and the Surrey Outpatient Hospital. The South Fraser Perimeter Road reached an important milestone with the selection of three short-listed teams and three additional health care projects entered the market in 2008-09.

Construction on the Port Mann/Highway 1 Project is underway and progressing ahead of schedule. Originally planned as a DBFM, Partnerships BC recommended it proceed without private financing using the DB delivery model after a cost-effective agreement with the preferred proponent could not be reached. The procurement retains many of the key benefits of the partnership model, including: an innovative design solution; a fixed-price contract; and an accelerated construction schedule.

Partnerships BC continues to operate within the policy framework of the capital standard. The capital standard states that for projects over a threshold of $50 million in provincial funding, a PPP will be considered the base case unless there is a compelling reason to do otherwise. The capital standard was changed in 2008-09 to $50 million, up from $20 million. For projects with provincial funding between $20 million and $50 million, a preliminary screening will be undertaken to determine if the project is suitable to be delivered as a PPP. This will help to streamline and accelerate the planning process for smaller capital projects, and support the creation of more jobs sooner.

In these times of economic uncertainty, PPPs remain a viable option that provides for innovation and risk transfer and B.C. projects remain attractive. While private financing is still available, Partnerships BC is optimizing government funding as a means of lowering project costs until financial markets are more stable. The Canadian market continues to expand in terms of PPP projects and market participants: Canada has become a world-leading PPP market.

Throughout 2008-09, Partnerships BC continued to analyze market conditions and projects entering procurement to determine which partnership delivery model would provide the best value for taxpayers. In 2008-09 Partnerships BC recommended to government a comprehensive set of new procurement best practices based upon experience to date. Partnerships BC will only recommend to government partnership agreements where they serve the public interest.

The Board of Directors of Partnerships BC reviewed corporate performance in 2008-09 and concluded that the Company successfully delivered on all corporate goals in its Service Plan: evaluating, structuring and implementing PPPs; encouraging the growth and development of the market; and, remaining commercially viable. Partnerships BC's net income margin (pre-variable compensation) was $2,563,638 which resulted in a net income margin (pre-variable compensation) of 25 per cent, which compared favourably with the shareholder's target.

Going forward, the continued implementation of the capital standard policy 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 2009-10 to 2011-12 Service Plan.

On behalf of the Board, I would like to acknowledge Dr. Charles Jago for his many years of service and his commitment to public life.

I would also like to acknowledge the entire team at Partnerships BC, whose professionalism and dedication has led to the building of roads, schools, hospitals, bridges and rapid transit in communities across the province for the benefit of all British Columbians.

The 2008-09 Partnerships British Columbia Inc. 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 12 months ended March 31, 2009. All significant decisions, events and identified risks, as of March 31, 2009 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

Rick Mahler
Chair

"British Columbia is recognized as a North American leader in the use of P3s."

– BC Business Council
Submission in Advance of the 2009 Provincial Budget

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*.

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships (PPPs) 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 partnership delivery models.

Partnerships BC is responsible for bringing together the public and private sectors to develop and implement PPPs. The Company's clients are public sector agencies, including ministries, Crown corporations, health authorities, post-secondary institutions, boards of education and local and federal governments.

Since the introduction of the capital standard policy in 2006, Partnerships BC has been reviewing procurement options for all capital projects that have $20 million or more in provincial funding. All projects recommended to be a PPP have been over $100 million with the exception of one. Therefore, in November 2008 the Province revised the policy. For projects with $50 million or more of provincial funding, a PPP will be considered the base case unless there is a compelling reason to do otherwise. For projects with provincial funding between $20 million and $50 million, a preliminary screening will be undertaken to determine if the project is suitable to be delivered as a PPP.

One of the objectives of the capital standard is to impose a discipline for sound business planning to deliver best value for British Columbia taxpayers. Partnerships BC continued to work with the Province and public sector clients to improve the quality and comprehensiveness of business planning for major capital projects, and to increase the level of understanding of the full range of procurement options and expected benefits.

Partnerships BC's services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the use of private sector expertise, services and capital. Partnerships BC provides a full spectrum of services ranging from business planning and procurement management and advisory services, to project implementation and construction oversight advisory services. This flexible approach enables clients to focus on their core business and accountabilities while Partnerships BC focuses on the business and contractual requirements of evaluating, structuring and implementing PPPs.

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
  • Market Sounding
  • Quantitative Analysis
  • Risk Analysis
  • Multiple Criteria Analysis (MCA)
  • Procurement Options Analysis
• Best Practices and Documentation
• Strategic Communications
• Stakeholder Management
	Procurement Process
	• Procurement Process Management
	• Best Practices and Procurement Documentation
	• Evaluation Management
	• Contract Negotiations
	• Service Integration
	  • Consultant Management
	• Strategic Communications
	• Stakeholder Management
		Project Implementation
		• Construction Oversight – Advice and Management
		• Best Practices and Documentation
		• Value for Money Reporting
		• Strategic Communications
		• Stakeholder Management

Knowledge Management		
Recommendations to Treasury Board		

Partnerships BC provides services directly through its own expertise and also by using external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC continued 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 sector 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.

In 2008-09, Partnerships BC employed 40 full-time equivalent (FTE) positions, including contractors. 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 Services and a Finance and Administration unit. These business units, and their primary functions, are described in the table below.

Senior Management Team		
Larry Blain – PRESIDENT & CEO		
Sarah Clark Vice President Partnerships Development and Delivery	**Susan Tinker** Assistant Vice President Partnerships Services	**Chan-Seng Lee** Assistant Vice President Finance and Administration
Areas of Responsibility • Business Development • Project Governance and Delivery • Corporate Relations • Market Development • Senior Project Advisor	**Areas of Responsibility** • Policy and Practices • Communications • Legal Services • Procurement Services • Knowledge Management and Research • Senior Project Advisor	**Areas of Responsibility** • Finance and Accounting • Human Resources • Administration • Facilities • Information Technology • Contract Management • Corporate Governance

Over the last few years, policies and procedures have been developed and formalized into a human resources strategy. The central tenents of this strategy are based on recruitment and retention, leadership development, training and performance planning and management.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. All employee performance plans are tied directly to corporate performance. Certain corporate performance measures are benchmarked against comparable professional services firms in the private sector and, where appropriate, comparable public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with business development and the development and implementation of best practices.

The Company regularly updates its website to provide new information on current and completed projects, Project Reports: Achieving Value for Money, procurement documentation and best practice guidance documents. For more information, visit: www.partnershipsbc.ca.

Year in Review

2008

April

- *ISL Health selected as preferred proponent for Royal Jubilee Hospital Patient Care Centre*
- *Fort St. John Hospital and Residential Care receives funding approval*

May

- *RFQ issued for Fort St. John Hospital and Residential Care*
- *Infusion Health selected as preferred proponent for Kelowna and Vernon Hospitals Project*
- *BC Healthcare Solutions selected as preferred proponent for Surrey Outpatient Hospital*
- *William R. Bennett Bridge opens 108 days ahead of schedule*
- *Groundbreaking ceremony for Duchess Park Secondary School – a DB project*

June

- *"Sneak peak" of Abbotsford Regional Hospital and Cancer Centre draws over 4,000 people*

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 to government potential PPP opportunities.

The Board follows governance principles as set out in the Best Practices 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)	Celia Courchene	Gordon Steele
Ed Andersen	Colin Dobell	Kirsten Tisdale
Harold Calla	Dan Doyle	Sharon White
Susan Conner	Dan George	

In 2008-09, Dr. Charles Jago, one of the Company's founding Directors, retired after reaching the term of his appointment. Two new Directors were appointed in 2008-09: Dan George and Kirsten Tisdale.

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, Dan George 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 Dobell, Gordon Steele and Kirsten Tisdale. The Board Chair and the Chair of the Audit and Risk Management Committee also attend meetings of the Human Resources and Governance Committee.

Standing (left to right): Colin Dobell, Gordon Steele, Rick Mahler (Chair), Celia Courchene, Dan Doyle, Susan Conner, Ed Andersen, Sharon White, Dan George, Kirsten Tisdale

Missing: Harold Calla

Year in Review

July

- *Peace River Healthcare Solutions and ISL Health are short-listed for Fort St. John Hospital and Residential Care*
- *RFQ issued for South Fraser Perimeter Road*
- *Final agreement awarded for Royal Jubilee Hospital Patient Care Centre; groundbreaking ceremony kicks-off construction*
- *Northern Cancer Control Strategy receives funding approval; RFQ issued for BC Cancer Agency Centre for the North*

August

- *Abbotsford Regional Hospital and Cancer Centre opens for patients*
- *Final agreement awarded for Kelowna and Vernon Hospitals Project*
- *Connect BC Development Group selected as preferred proponent for Port Mann/ Highway 1 Project*

September

- *Final agreement awarded for Surrey Outpatient Hospital; groundbreaking ceremony kicks-off construction*
- *RFP issued for Prince George Gateway Residential Care Facility*

Report on Performance

Since its inception in 2002, Partnerships BC has been involved in over 30 PPPs with a capital value approaching $10 billion. As a centre of procurement expertise, Partnerships BC continually transfers knowledge and experience gained from past projects to others to improve efficiency and quality, and to streamline the procurement process to save time and money for the public sector.

Over 2008-09, nine projects in the health, education and transportation sectors either entered the market or reached a final agreement. Based on this experience, a number of new Partnerships BC best practices were identified in the following four categories: costing, affordability, evaluation, and governance. Partnerships BC worked with public sector clients and the partnership market to explain how these best practices will be applied to PPP projects.

Factors that influenced the environment in which Partnerships BC operated were related to the PPP market, both national and international. Efforts to create a strong, coordinated Canadian market continued and there was a significant expansion of market participants. Public private partnership agencies or programs are fully operational in Ontario, Quebec and Alberta. Other jurisdictions such as Nova Scotia, New Brunswick, Saskatchewan and Prince Edward Island continue to explore the use of PPPs to meet infrastructure needs. The federal government has established PPP Canada, a Crown corporation, and appointed a Chair and CEO in 2009. PPP Canada will facilitate the use of PPPs in infrastructure projects, through the identification of partnership opportunities at the federal level. PPP Canada will also administer the $1.25 billion Public Private Partnerships Fund to support innovative projects. Partnerships BC continued its work with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian market remain attractive to PPP market participants.

Global financial markets, particularly the capital markets, experienced unprecedented turmoil in 2008-09 and this instability is expected to continue for 2009-10. Partnerships BC continues to analyze market conditions and projects entering procurement to determine which partnership procurement delivery model will provide the best value for taxpayers and therefore be recommended. As evidenced by the Port Mann/Highway 1 Project, Partnerships BC will not recommend an agreement to the Province if it does not provide value for taxpayers.

As financial markets stabilize, investors will be looking for secure and proven products to invest in. B.C.'s public private partnership projects are attractive and will continue to be a viable and popular investment. In these times of economic uncertainty, the Province is well positioned to continue delivering infrastructure without putting the public taxpayer at risk.

Performance Results

Building on the platform of success established over seven 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 2008-09 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)*; and
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 2008-09 and the Board determined that the Company achieved its corporate goals.

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

*Weighting applied by Board in assessing corporate performance

Year in Review

October

- *RFP issued for Fort St. John Hospital and Residential Care*
- *Pitt River Bridge and Mary Hill Interchange Project achieves two-thirds completion mark*

November

- *Groundbreaking ceremony kicks-off construction for Kelowna and Vernon Hospitals Project*
- *Province raises capital standard threshold to $50 million*
- *Abbotsford Regional Hospital and Cancer Centre and William R. Bennett Bridge both win the Silver Award for Infrastructure from the Canadian Council for Public-Private Partnerships*

December

- *Northern Gateway Health, Plenary Health and Sequence Health are short-listed for the BC Cancer Agency Centre for the North*

Results (Based on 2008-09 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 PPPs;
- 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 communicate the value for taxpayer dollars expected to be achieved for projects, 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; and
- Continually assessed and appraised the quality of services provided by Partnerships BC with clients, external stakeholders such as PPP service providers (e.g. advisors), project participants and private partners. Strategies included conducting client surveys and conducting market consultations.

	Past Performance		2008-09 Performance	
Performance Measures	**2006-07 Results**	**2007-08 Results**	**Targets**	**Results**
• Public private partnership development agreement engagements with Province and/or other agencies	• 48 new engagements in a variety of sectors • Good relations and information sharing with other levels of government, for example, Quebec, Ontario and Alberta	• 35 new engagements • Engaged new sectors: energy, K-12 education, universities, local governments • New engagements with other jurisdictions: Alberta, Nova Scotia, Government of Canada	• Positive assessment by Board of Directors of engagements achieved	• 25 new engagements • Engaged new sectors: corrections, colleges • New engagements with other jurisdictions: Saskatchewan, Prince Edward Island, PPP Canada • Project implementation advisory services provided on health and transportation projects
• Revenue growth	• Five directly managed financial closings; four post financial close engagements • Business planning assignments expanded into Procurement Manager/Advisor assignments	• 14% • Seven engagements with non-Provincial clients • Two post financial close engagements • Business case development for multiple sectors	• 17%	• 15% • Eight engagements with non-Provincial clients • Four project implementation advisory services engagements • Business case development for multiple sectors
• Client survey results indicate Partnerships BC performance meets or exceeds client expectations	• Positive feedback from clients; improved relations in key sectors • Repeat business from a variety of major clients	• 86% overall client satisfaction	• Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	• Client survey not conducted in 2008/09 • Positive feedback received from clients across multiple sectors • Positive feedback from the shareholder
• Project milestones achieved	• All controllable project milestones achieved	• All controllable project milestones achieved	• Positive assessment by Board of Directors (on project milestones achieved)	• All controllable project milestones achieved • Positive assessment by Board achieved
• Publish Value for Money Report or communications on all projects after financial close has been reached	• All reports published	• 100% documents published	• 100% documents published	• 100% documents published
• Publish fairness and probity opinions on projects where size and scope warrants fairness review	• All reports published; no opinions required	• 100% reports published • Clean fairness opinions on four projects (RFQ Process)	• 100% reports published	• 100% reports published • Clean fairness opinions on four projects (RFQ and RFP processes)

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 25 new engagements and provided a range of services to clients in health, transportation, corrections, energy, education, post-secondary education and local and federal governments. New Memoranda of Understanding were signed with the Government of Saskatchewan, the Government of Prince Edward Island and with PPP Canada in 2008-09; Memoranda of Understanding with the Government of Alberta, Public Works and Government Services Canada, Partenariats public-privé Québec and the Government of Nova Scotia continued in 2008-09; and Partnerships BC maintained its information sharing engagement with Infrastructure Ontario.

Partnerships BC provided procurement manager services to its clients and also worked to develop business cases. Four projects entered procurement in 2008-09 in the health and transportation sectors. All controllable project milestones were met, meaning that projects proceeded according to schedule.

The Company did not reach its revenue growth target for 2008-09 (17 per cent target; 15 per cent result). This was primarily due to the commencement of project business cases, timing of project approvals and projects entering procurement. However, those changes also reduced Partnerships BC's requirement to resource those projects, thus leading to a decline in compensation and administrative expenses.

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 2008-09 and the release of fairness advisor reports for those projects. In addition, three Project Reports: Achieving Value for Money were published for the Royal Jubilee Hospital Patient Care Centre, Kelowna and Vernon Hospitals Project and the Surrey Outpatient Hospital.

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. Although the survey was not conducted for 2008-09 (the next scheduled client survey will be 2009-10), positive feedback was received from public sector clients and other jurisdictions. Positive feedback was also received from Partnerships BC's shareholder, the Minister of Finance.

> *"P3s have proven to be an effective way for governments to deliver infrastructure and services around the world."*
>
> *– Vancouver Sun*
> *February 2009*

Year in Review

2009

January

- *Sea-to-Sky Highway Improvement Project achieves 80 per cent completion mark*
- *Agreement-in-Principle announced for Port Mann/ Highway 1 Project*
- *Fraser Transportation Group, South River Connector and The Riverway Partnership are short-listed for South Fraser Perimeter Road*
- *inSite Housing, Hospitality and Healthcare Services Inc. selected as preferred proponent for the Prince George Gateway Residential Care Facility*

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

Strategies

- Maintained 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 and market outreach workshops;
- Entered into PPP 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 PPP 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; and
- Supported the development of a strong pan-Canadian partnership market.

	Past Performance		2008-09 Performance	
Performance Measures	**2006-07 Results**	**2007-08 Results**	**Targets**	**Results**
• New market participants in B.C.	• Major international market participants have established offices in B.C.: Babcock and Brown; John Laing; Bilfinger Berger Health and Construction; Innisfree; Skanska	• 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	• Number of new market participants	• Active market participation – 11 new market participants, including: Zachry American Infrastructure; Dragados S.A.; Graycorp Advisors Ltd.; Genivar Engineering; Vermeulen Hind Architects
• Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments	• Sharing best practices with Ontario, Quebec and Alberta • New capital standard recognizes Partnerships BC best practices	• All projects using standard procurement documents and sharing best practices internally • Sharing best practices across North America • Project by project evidence of reduced costs (e.g. legal)	• Examples of projects utilizing best practices	• All projects using standard procurement documents and sharing best practices internally • Developed and implemented comprehensive best practices: costing, affordability, evaluation, and governance • Developed guidance and template for performance specifications for health projects
• Annual examples of synergies and process cost reductions	• Standard concession agreement developed; additional project templates developed	• Use of procurement documents consistent across projects and sectors (e.g. health and transportation)	• Project examples where synergies achieved	• Evidence of reduced project costs (e.g. legal and business advisor fees) • Examples of efficiencies in procurement processes • Benchmarks will be established in 2010-11
• External validation (i.e. awards, informed media coverage)	• Positive recognition for Partnerships BC; nine awards for PPP projects	• International recognition for Partnerships BC and PPP policy; two project awards	• Examples from third party validators	• Positive media coverage – local, national and international • Two awards for PPP projects • Enhanced stakeholder outreach

Partnerships BC is focused on growing the PPP 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 place a high priority on the development of best practices in procurement. With three projects in the health sector reaching the final agreement stage, plus four additional projects entering the market in 2008-09, there was a significant amount of cross-project coordination taking place to ensure that lessons learned were being shared between project teams and across different sectors. The use of consistent procurement documents between projects created a more streamlined and efficient process for all projects.

In 2008-09, the Board of Directors endorsed comprehensive best practices in the areas of costing, affordability, evaluation and governance. The application of Partnerships BC best practices will: maximize the opportunity for PPP projects to achieve procurement objectives; provide accurate planning and project costing in the approval phase; control project costs within approved affordability limits; and provide effective project implementation oversight.

The partnership market continued to grow with the addition of 11 new market participants that either expanded or established offices in British Columbia. Public private partnerships are also creating new opportunities for construction, engineering and architecture firms across the province. For projects that either entered the market or commenced construction in 2008-09, there were many examples of B.C.-based contractors teaming up with international companies in an effort to combine local talent with global expertise that results in innovative design and state-of-the-art facilities. For example, the Vancouver-based Lark Group teamed up with Acciona S.A. from Spain to form the design-build team for the Royal Jubilee Hospital Patient Care Centre in Victoria.

In 2008-09, Partnerships BC developed and implemented a new communications and stakeholder relations web-based database which allowed the Company to communicate directly with the public, media, the PPP market and clients to provide updates on the status of PPP projects. Registration is voluntary and participants can tailor their information requests to match their specific interests. Partnerships BC used the new system to provide project updates, such as the release of a Request for Qualifications, and release corporate information, such as the Company's Service Plan, to members. As well, the system provides a client and market relationship management function, enabling the Company to remain in contact with key stakeholders.

Partnerships BC tracks external validation from a variety of sources, including: provincial, national and international media coverage; project awards; and client feedback. Public private partnerships in British Columbia continue to garner national and international acclaim. With two project awards in 2008-09, PPP projects have received a total of 19 provincial, national and international awards of recognition for innovation and excellence. The Province is firmly positioned as a leader in both the national and international PPP market and Partnerships BC is at the forefront of public private partnership agencies worldwide.

"...the future of P3s looks bright for the simple reason that they work."

– Vancouver Sun
February 2009

Year in Review

February

- *Surrey Memorial Hospital Redevelopment and Expansion: Critical Care Tower receives funding approval*
- *DB agreement awarded for Port Mann/Highway 1 Project; groundbreaking ceremony kicks-off construction*

March

- *ISL Health selected as preferred proponent for Fort St. John Hospital and Residential Care*

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; and
- Developed internal performance measures for Partnerships BC and its staff which tied individual and collective success to the achievement of milestone events.

	Past Performance		2008-09 Performance	
Performance Measures	**2006-07 Results**	**2007-08 Results**	**Targets**	**Results**
• Meet financial plan targets (minimum 15% net income margin pre-variable compensation)	• 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)	• Net income target met (pre-variable compensation) $1,982,639 • Exceeded 15% minimum shareholder target and 21% financial plan target with a net income margin of 22% (pre-variable compensation)	• Meet financial plan targets (minimum 15% net income margin pre-variable compensation)	• Net income target met (pre-variable compensation) $2,563,638 • Exceeded 15% minimum shareholder target and 20% financial plan target with a net income margin of 25% (pre-variable compensation)
• Minimize charge-out rates to clients	• No increase in charge-out rates	• No change	• No change in charge-out rates	• No change
• Employee satisfaction	• Employee survey results range from 73.2% to 90.5%	• Employee satisfaction survey conducted every two years: scheduled for fiscal 2008-09 • BC Public Service Agency *Work Environment Survey 2007* (overall score of 80)	• Meet or exceed industry standards, with minimum 85% employee satisfaction	• BC Public Service Agency *Work Environment Survey 2008* (overall score of 85 compared to public service benchmark of 66) • BC Business Best Companies to Work for in BC survey (overall score of 4.06 out of 5)
• Targeted and relevant training	• All initiatives related to internal management of financial controls, Human Resources and IT implemented	• Achieved training objectives within budget	• 5% of compensation costs	• Achieved training objectives within budget

It was a successful year for Partnerships BC, with four projects entering the market and construction activities taking place on five additional projects in communities across B.C. In addition, there were many more projects at the business planning and business development stages. The Company achieved both the 15 per cent minimum shareholder target and the 20 per cent financial plan target.

The Company succeeded in expanding its client base and offered a range of services to clients in different sectors. Although the majority of revenue for the Company is based on its provincial clients, revenue from non-B.C. sources increased in 2008-09 compared to the previous year.

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 responsive to the needs of its clients. Starting in 2008-09, Partnerships BC has replaced its bi-annual employee survey with two new annual survey instruments. For the B.C. Public Service Work Environment Survey, the Company achieved an overall score of 85 compared to the public service benchmark of 66. For the BC Business Magazine Best Companies to Work for in BC survey, the overall score was 4.06 out of five.

The Company continued to refine its performance management system and implement learning programs to ensure that staff members have the opportunity to optimize their individual performance and reach their personal career goals. For example, a Leadership Training and Development Program was developed in 2007-08 and implemented in 2008-09. This program forms part of the Company's human resources strategy, which is to invest in staff and enhance their leadership skills. In addition, 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)*

Strategies

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

	Past Performance		2008-09 Performance	
Performance Measures	**2006-07 Results**	**2007-08 Results**	**Targets**	**Results**
• Client (Ministries) Satisfaction survey and milestones met	• N/A	• Achieved overall client satisfaction of 86%	• Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	• Client survey not conducted in 2008-09 • Positive feedback received from clients in multiple sectors
• Examples of best practices applied and costs reduced on oversight projects	• N/A	• Direct involvement in all active PPP projects and best practices applied • Four capital plan reviews • Seven procurement assessment reviews	• Examples published	• Two capital plan reviews • Three procurement assessment review • Direct involvement in all active PPP projects • Examples of best practices applied (e.g. BC Transmission Corporation)

Partnerships BC continued to work with the Province and clients to increase the understanding and awareness of the capital standard policy, and the full range of procurement options and expected benefits. Partnerships BC was engaged by clients to assist with two capital plan reviews and three procurement assessment reviews.

Although the client survey was not conducted in 2008-09, positive feedback was received from clients across various sectors and jurisdictions.

Partnerships BC was directly involved in all provincially-funded, active PPPs through its participation on project Steering Committees. In this role, Partnerships BC provided advice on procurement practices to ensure consistency between projects and sectors.

*For 2009-10, Partnerships BC has revised its corporate goals. When the capital standard policy was introduced in 2006, a fourth corporate goal was added. The intent of that goal was to ensure PPPs were structured and implemented using best practices. Since the introduction of that policy, Partnerships BC has had direct involvement in all provincially-funded, active PPP projects and best practices have been applied. Therefore, goal four has been merged with goal one.

Future Performance (Based on 2009-10 to 2011-12 Corporate Goals)

Goal 1: Structure and implement public private partnership solutions which serve the public interest (60 per cent)			
Performance Measures	**Future Performance**		
	2009-10	**2010-11**	**2011-12**
• Public private partnership development agreements with the 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	• 3%	• 3%	• 3%
• Bi-annual 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	• N/A	• 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% documents published	• 100% documents published	• 100% documents published

Goal 2: Encourage development of the public private partnership market in British Columbia (15 per cent)			
Performance Measures	**Future Performance**		
	2009-10	**2010-11**	**2011-12**
• New market participants in British Columbia	• 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 Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments	• Examples of projects utilizing best practices • Examples of Partnerships BC engagements with other governments
• Annual examples of synergies and process cost reductions	• Project examples where synergies achieved • Data collection for empirical benchmarking	• Benchmarks established	• Target based on 2010-11 benchmark
• External validation (e.g. awards, informed media coverage)	• Examples from third party validators	• Examples from third party validators	• Examples from third party validators

Goal 3: Remain commercially viable and increase productivity (25 per cent)			
Performance Measures	**Future Performance**		
	2009-10	**2010-11**	**2011-12**
• Meet budget	• Meet budget (minimum 12% net income margin pre-variable compensation)	• Meet budget (minimum 12% net income margin pre-variable compensation)	• Meet budget (minimum 12% net income margin pre-variable compensation)
• Minimize charge-out rates to clients	• No change	• Subject to annual review	• Subject to annual review
• Bi-annual employee satisfaction survey	• 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

Performance Measurement

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 and provides recommendations for change, if necessary.

Although the Canadian PPP 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.

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 PPP 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 2008-09, 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 and project precedents; and
- Information from client and employee satisfaction review processes, including surveys and interviews.

In 2010-11, the Company will establish benchmarks that allow for the measurement of procurement processes.

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 and Capacity Issues

Global financial markets experienced significant challenges in 2008-09 including the availability and cost of capital for infrastructure projects; markets are expected to remain unstable and this may have an impact on the PPP market going forward. Partnerships BC responded to these challenges by monitoring financial markets and by taking a flexible approach to structuring the financing for each project in order to maximize value for taxpayers.

The timing of project approvals and projects entering procurement continued to have the greatest impact on revenues for the Company. As a procurement agency, the most labour intensive time for the Company is when projects are in the market; going forward, the Company has budgeted for a modest increase in the number of employees and consultants required to resource projects during both the procurement and project implementation phases of PPP projects.

The Company worked throughout 2008-09 to diversify both its client base and service offerings. Engagements with clients outside of British Columbia represented a modest yet growing area of business for the Company. With an increasing number of projects now under construction and approaching the operational stage, the Company is well-positioned to offer new services to public sector clients. For example, clients in the health and transportation sectors are using Partnerships BC to provide advisory services during the design and construction phase of PPP projects.

An expanded Canadian partnership market represented a potential risk to the Company because different jurisdictions are competing for the same PPP market participants. Partnerships BC has worked over the years to create an attractive market in British Columbia through the development and application of best practices and consistent procurement documentation for projects. The Company was encouraged to see robust competition generated by four projects that entered procurement in 2008-09, and a combination of new and existing market teams responding during the Request for Qualifications.

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

Scope of Business Focus and Client Base	
Description Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakened this could limit the ability of the Company to meet its financial targets and goals.	**Mitigation Strategies** • 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 streamline approval processes; and • Diversified the range of partnership procurement models to better meet client needs.

Public Private Partnership Policy Environment	
Description The policy environment for PPPs continues to evolve (e.g. capital standard).	**Mitigation Strategies** • Worked with the Province to ensure the policy environment is compatible with PPPs; and • Worked with clients to ensure PPP projects are compatible with the Province's policy objectives.

Project Risks	
Description Partnerships BC may face increased risks due to problems or changes in the procurement, construction or operations phase of a PPP project.	**Mitigation Strategies** • Participated on Steering Committees for PPP projects; • Developed and applied best practices in procurement: - Costing; - Affordability; - Evaluation; - Governance; • Developed and applied best practices in the project implementation phase: - Provided advisory services during design and construction; and - Provided advisory services during operations.

Public Private Partnership Market Size and Capacity	
Description PPP markets are continuing to grow, both internationally and within B.C. The Company may face challenges related to: • Growth of PPP markets in competing jurisdictions; • General private sector interest in PPPs worldwide; • Development of PPP capacity within B.C.; • Capacity and inflationary pressures in the construction sector in B.C.; and • Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver.	**Mitigation Strategies** • Continued to develop relationships with PPP stakeholders and business partners; • Developed standardized and consistent approaches to procurement to reduce transaction and bid costs to make B.C. a more attractive PPP market; • Engaged in information sharing with other provincial jurisdictions to broaden the Canadian PPP market and attract private sector participants; • Communicated with international PPP 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; and • Involved the academic community to analyze the B.C. project experience to further develop best practices.

Financial Market Volatility	
Description Financial markets are currently volatile and projections are highly uncertain. The challenges include: • Availability of capital for infrastructure projects; • Cost of capital; and • Fixed financial terms during the proposal evaluation and negotiation phase.	**Mitigation Strategies** • Remained highly informed on financial market conditions; and • Took a flexible approach to structuring the financing for each project, designing the structure to match the prevailing financial market considerations in order to maximize project value for money.

Reputation Risk	
Description 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 PPP market is directly tied to the reputation of the Company and the demonstrable success of its projects.	**Mitigation Strategies** • Ensured a high level of disclosure and transparency; • Developed and implemented communications strategies for PPP projects; • Developed and implemented a proactive corporate stakeholder relations strategy; • Applied best practices to all phases of projects; and • Provided advisory services during the design, construction and operations phases of projects.

Internal Experience and Capacity	
Description Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.	**Mitigation Strategies** • Continued the 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; • Conduct external executive and staff compensation reviews every two years to benchmark against comparable public and private sector organizations; and • Benchmarked human resource strategies against comparable public and private sector organizations.

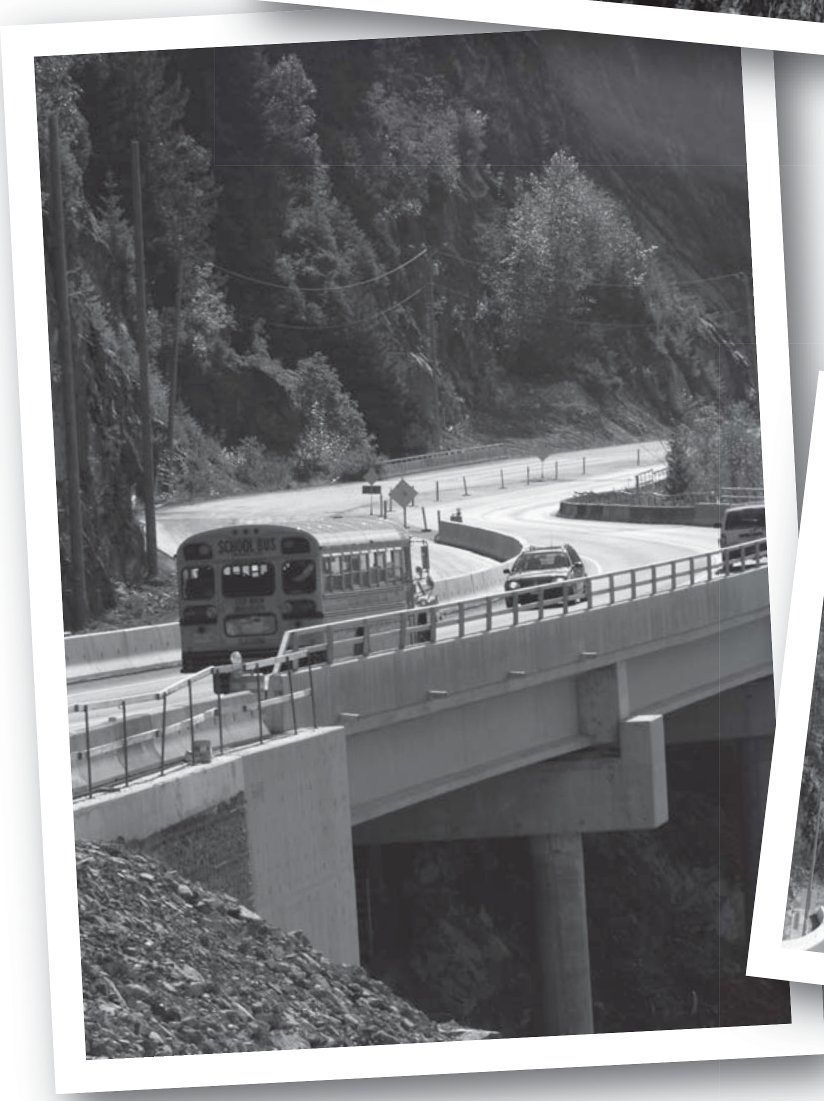
Management and Operational Risks	
Description Partnerships BC's ability to serve its clients is dependent upon its ability to harness and direct knowledge; therefore, the Company faces business risks related to information management.	**Mitigation Strategies** • Updated and improved management and financial 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; and • Addressed information systems related risks.

Progress Against Shareholder's Letter of Expectations

The four corporate goals for the Company are aligned to meet the direction from our shareholder, the Minister of Finance. Below are the specific directions outlined in the May 2007 Shareholder's Letter of Expectations and Partnerships BC's actions in 2008-09.

Specific Direction to the Corporation	Partnerships BC Actions in 2008-09
• Assist the Province of British Columbia in meeting its infrastructure needs by providing innovation, leadership and expertise in public procurement	• Concluded five procurements and projects are now under construction in communities across British Columbia • Two projects became operational providing much needed infrastructure in those communities
• Support the Province in tackling the challenges of global warming and meeting its goal to lead the world in sustainable environmental management by working together with provincial agencies and private sector partners to promote environmentally sensitive infrastructure development	• Revised procurement documents to require that infrastructure projects in the health care, education, accommodation and cultural sectors are expected to be designed and built to achieve Leadership in Energy and Environmental Design (LEED) Gold certification
• Pursue PPP arrangements and alternative procurement arrangements on behalf of public sector clients that advance the public interest and where it can be demonstrated that such procurement arrangements will: meet specific public policy objectives; improve services; achieve environmental quality, energy efficiency and sustainability objectives; and achieve value for money	• Made recommendations to government about the suitability of the PPP delivery model for infrastructure projects • Worked with public sector clients to prepare business plans
• Provide expert services to the provincial government and its agencies in the procurement of PPP projects – services ranging from advice to business transaction and procurement management, to overall project management of public private partnership projects	• Engaged by a variety of public sector agencies to assist with business case development, procurement assessment reviews, procurement manager/advisory services and added project implementation advisory services
• Assist the Province in the application of the new capital standard announced in October 2006 that requires PPP to be the "base case" where the Province will be contributing more than $20 million to the capital cost of a project*	• Direct involvement in all active PPP projects • Performed early project screens and procurement options assessment reviews for clients • Examples of best practices applied on projects
• Continue to improve the efficiency and quality of delivery of PPP transactions	• Continued use and development of standard procurement documents • Shared best practices between project teams
• Continue to demonstrate transparent and competitive processes	• Fairness Advisors and Conflict of Interest Adjudicators retained for projects throughout the procurement process • Procurement documentation is publicly available • Project reports are publicly available and summarize the results of the competitive selection process
• Grow the PPP market in British Columbia, building a centre of expertise and excellence that will be recognized for innovation and performance	• Positive local, national and international validation for both the Company and PPP projects • Projects continued to attract local, national and international teams • Received a total of 19 provincial, national and international awards of recognition for innovation and excellence to date
• Remain commercially viable on an ongoing basis and increase productivity by ensuring that revenues meet or exceed expenses	• Achieved shareholder and financial plan targets
• Provide policy advice to the shareholder on alternative procurement, PPP and capital asset management when required	• Recommended an increase to the capital standard threshold based on results to date of procurement options assessment reviews • Board of Directors recommended comprehensive best practices in areas of costing, affordability, evaluation and governance

*The capital standard policy has been revised and is reflected in the March 2009 Shareholder's Letter of Expectations.



PHOTOS
Sea-to-Sky Highway Improvement Project

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

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 20 per cent and 15 per cent respectively***
   Partnerships BC's net income margin (pre-variable compensation) was $2,563,638 which translated to a net income margin (pre-variable compensation) of 25 per cent, which exceeded the Company's financial plan and minimum shareholder targets of 20 per cent and 15 per cent respectively.

2. ***Increased 2008-09 consolidated revenue***
   Partnerships BC's consolidated revenue was $10,152,841 in 2008-09 compared to $9,176,581 in 2007-08, an increase of 11 per cent.

3. ***Strong balance sheet***
   Partnerships BC's unrestricted cash and cash equivalents increased to $10,375,360 in 2008-09 compared to $8,170,096 in 2007-08.

   Partnerships BC's current accounts receivable as at March 31, 2009 was 86 per cent.

4. ***Projects which reached financial close***
   During the year, the following projects reached financial close:
   - Surrey Outpatient Hospital
   - Royal Jubilee Hospital Patient Care Centre
   - Kelowna and Vernon Hospitals Project
   - Port Mann/Highway 1 Project
   - Duchess Park Design-Build Secondary School Project

5. ***Projects in the market***
During the year, the following projects entered the market:
    - Fort St. John Hospital and Residential Care
    - BC Cancer Agency Centre for the North
    - Prince George Gateway Residential Care Facility
    - South Fraser Perimeter Road

6. ***Transfer of Abbotsford Regional Hospital and Cancer Centre to Fraser Health Authority and Provincial Health Services Authority***
Pursuant to the Abbotsford Regional Hospital and Cancer Centre Share Transfer Agreement, on May 6, 2008, the Company transferred the common shares of Abbotsford Regional Hospital and Cancer Centre Inc. to the Fraser Health Authority (FHA) and Provincial Health Services Authority (PHSA).

7. ***New Board members***
Partnerships BC welcomed Dan George and Kirsten Tisdale as members of its Board of Directors.

    Mr. George is the President of Four Directions Management Services Ltd. (1994), a wholly-owned Aboriginal economic and social development organization dedicated to responding to the expressed needs of Aboriginal individuals, organizations and communities. Mr. George's extensive experience in Aboriginal community development includes: Chief Negotiator, Office of the Wet'Suwet'en; Executive Director, Prince George Native Friendship Centre; and Chief Executive Officer of the First Nations Mountain Pine Beetle Initiative. He is also a Board member of the Fraser Basin Council, the Aboriginal Healing Foundation, Legacy of Hope Foundation and the Cedar Project. Currently, Mr. George is completing his Masters of Administration in Conflict Analysis and Management at the Royal Roads University.

    Ms. Tisdale is the Office Managing Director and Senior Client Partner for Korn/Ferry International and a former Assistant Deputy Minister with the Province of British Columbia's Ministry of Labour. Ms. Tisdale has extensive experience leading executive teams worldwide in both corporate strategy and technology and business process transformation. She has worked in over 15 countries and across diverse sectors including government, health care, technology, telecommunications, transportation, professional services, energy and financial services.

8. ***Achievements and awards***
The following PPPs received awards during the year:
    - Abbotsford Regional Hospital and Cancer Centre
    - William R. Bennett Bridge

"...the fact that P3 projects in B.C., Canada and around the world continue to be financed and projects are moving forward in these difficult times underscores the strength and resiliency of the P3 model."

– John McArthur, President
Bilfinger Berger Investments Inc.
Vancouver Sun, February 2009

Annual Financial Performance

Comparison of 2008-09 and 2007-08 Financial Performances

The 2008-09 audited financial statements include the accounts of Partnerships BC whereas the comparative audited consolidated financial statements include the accounts of Partnerships BC and its wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC).

The business model for Partnerships BC remained unchanged in 2008-09. 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, plus revenue from the government services contract. At the conclusion of fiscal 2008-09, the Company will have phased out all completion, milestone and performance fees from its engagement letters.

The Company had consolidated revenues of $10,152,841 in 2008-09 compared to $9,176,581 in 2007-08, an increase of 11 per cent. This resulted in a net income of $2,076,584 in 2008-09 compared to $1,276,203 in 2007-08, an increase of 63 per cent. The increase in consolidated revenues and net income was largely attributable to the completion and milestone fee received when ARHCC reached substantial completion on May 6, 2008. In addition to the above, Partnerships BC also generated revenues from the five projects which reached financial close in 2008-09: Surrey Outpatient Hospital, Royal Jubilee Hospital Patient Care Centre, Kelowna and Vernon Hospitals Project, Port Mann/Highway 1 Project and Duchess Park Design-Build Secondary School Project. The Company also benefited from having four projects in the market: Fort St. John Hospital and Residential Care, BC Cancer Agency Centre for the North, Prince George Gateway Residential Care Facility and South Fraser Perimeter Road.

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

			(% of revenues)	
	2009	2008	2009	2008
Revenues	$ 10,152,841	$ 9,176,581		
Project recoveries	6,685,642	5,198,802	65.8%	56.7%
Project expenses	6,685,642	5,198,802	65.8%	56.7%
Salaries and benefits	5,976,366	6,002,341	58.9%	65.4%
General and administrative expenses	1,847,989	1,672,798	18.2%	18.2%
Amortization	251,902	225,239	2.5%	2.5%
Net income for the year	$ 2,076,584	$ 1,276,203	20.5%	13.9%

Consolidated Revenues

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

			(% of revenues)	
	2009	2008	2009	2008
Work fees	$ 6,956,812	$ 6,803,415	69%	74%
Completion and milestone fees	1,000,000	141,163	10%	2%
Provincial government revenue	1,966,000	1,909,000	19%	21%
Other revenue	230,029	323,003	2%	3%
	$ 10,152,841	$ 9,176,581	100%	100%

Consolidated revenues for the year ended March 31, 2009 were $10,152,841 of which $6,956,812 or 69 per cent was for work fees, $1,000,000 or 10 per cent was for completion and milestone fees and $1,966,000 or 19 per cent was revenue from the government services contract. In comparison, 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.

Partnerships BC was able to increase its work fees by $153,397 while maintaining its existing pricing structure in fiscal 2008-09, the third year that the Company was able to keep its pricing structure unchanged. The ability to keep its pricing structure unchanged was attributable to the platform of experience from over 30 projects across British Columbia that are either complete, under construction or in the market. This experience 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 2009-10 Service Plan anticipates a business model with 45 full-time equivalents (FTEs). Partnerships BC estimates a revenue growth of eight per cent in its 2009-10 Service Plan (without taking into consideration any completion fee from 2008-09). In addition, the Company is expecting new engagements with ministries, provincial health authorities, Crown corporations, post-secondary institutions, municipalities, other provincial governments and the Government of Canada.

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

	2009	2008	Change	%
Work fees	$ 6,956,812	$ 6,803,415	$ 153,397	2.3%
Completion and milestone fees	1,000,000	141,163	858,837	608.4%
Provincial government revenue	1,966,000	1,909,000	57,000	3.0%
Other revenue	230,029	323,003	(92,974)	-28.8%
	$ 10,152,841	$ 9,176,581	$ 976,260	10.6%

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 2008-09, Partnerships BC's clients included:

- Ministry of Health Services and Provincial Health Authorities
- Ministry of Transportation and Infrastructure
- Ministry of Labour and Citizens' Services
- Ministry of Education
- British Columbia Universities, Colleges and Vocational Institutes
- 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.

			(% of revenues)	
	2009	2008	2009	2008
Ministry of Health Services and Provincial Health Authorities	$ 2,948,454	$ 3,323,924	42.4%	48.9%
Ministry of Transportation and Infrastructure	1,196,532	1,275,441	17.2%	18.7%
Ministry of Labour and Citizens' Services	426,005	75,240	6.1%	1.1%
Ministry of Education	176,815	439,021	2.5%	6.5%
British Columbia Municipalities	176,613	335,718	2.5%	4.9%
British Columbia Crown Corporations	177,980	256,366	2.6%	3.8%
British Columbia Universities, Colleges and Vocational Institutes	741,944	132,953	10.7%	2.0%
Other Provincial Governments	220,395	155,030	3.2%	2.3%
Others	892,074	809,722	12.8%	11.8%
	$ 6,956,812	$ 6,803,415	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.

A milestone fee of $1,000,000 was recognized for the year ended March 31, 2009. This fee represented deterred revenue payable by the Ministry of Health Services when ARHCC reached substantial completion on May 6, 2008.

In comparison, 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 and Infrastructure for satisfactory performance and delivery of services during the year.

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

			(% of revenues)	
	2009	2008	2009	2008
Ministry of Health Services and Provincial Health Authorities	$ 1,000,000	$ –	100.0%	0.0%
Ministry of Transportation and Infrastructure	–	141,163	0.0%	100.0%
	$ 1,000,000	$ 141,163	100.0%	100.0%

Going forward, Partnerships BC has phased out all completion, milestone and performance fees as per its 2009-10 Service Plan.

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:

- Developing the PPP market for British Columbia projects;
- Assisting agencies in identifying and assessing PPP opportunities;
- Providing policy expertise;
- Developing best practices for PPPs and alternative procurement methods;
- Exploring opportunities in other jurisdictions to expand the application of best practices across Canada; and
- 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 initial government services contract which ended on March 31, 2008 was renewed and will expire on March 31, 2011. Under the provisions of the new agreement, 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.

Provincial government revenue for these services increased in 2008-09 from $1,909,000 to $1,966,000 to reflect a cost of living increase provided by the Province.

Other services provided to the Province 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.

Going forward, provincial government revenue will decrease from $1,966,000 in 2008-09 to $1,640,000 in 2009-10 as a result of the anticipated decrease in overall government revenues due to the continued downturn in the economy.

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, 2009, project recoveries were $6,685,642 compared to $5,198,802 for the year ended March 31, 2008. The increase in project recoveries was due to projects reaching financial close and entering the market: Surrey Outpatient Hospital, Royal Jubilee Hospital Patient Care Centre, Kelowna and Vernon Hospitals Project, Port Mann/Highway 1 Project, Duchess Park Design-Build Secondary School Project, Fort St. John Hospital and Residential Care, BC Cancer Agency Centre for the North, Prince George Gateway Long Term Care Residential Facility and South Fraser Perimeter Road.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2009, other revenue was $230,029 compared to $323,003 for the year ended March 31, 2008. The decrease was due to the overall decline in interest rates on term deposits, money market instruments and Canadian government securities.

Comparison to Budget

The table below provides details of the Company's actual and budgeted revenues for 2008-09.

	2009 Actual	2009 Budget	Change	%
Work fees	$ 6,956,812	$ 7,571,360	$ (614,548)	-8.1%
Completion and milestone fees	1,000,000	1,000,000	–	0.0%
Provincial government revenue	1,966,000	1,966,000	–	0.0%
Other revenue	230,029	262,000	(31,971)	-12.2%
	$ 10,152,841	$ 10,799,360	$ (646,519)	-6.0%

For the year ended March 31, 2009, gross revenues were six per cent below budget. The Company's overall utilization rate was 63 per cent for projects (excluding work performed under the government services contract). The budgeted utilization rate for projects for 2008-09 was 66 per cent. Partnerships BC's business model is one which is heavily reliant on the availability of professional staff with PPP experience to resource projects in the business case, procurement or implementation phase.

Gross revenues were below budget primarily due to the commencement of project business cases, timing of project approvals and projects entering procurement. However, those changes also reduced Partnerships BC's requirement to resource those projects, thus leading to a decline in total expenses. Compensation costs and administration costs were 16 per cent and one per cent below budget respectively. More detailed explanations are provided below.

Expenses

The table below provides details of the Company's operating expenses for 2008-09 and 2007-08.

	2009	2008	Change	%
Salaries and benefits	$ 5,976,366	$ 6,002,341	$ (25,975)	-0.4%
General and Adminstrative Expenses				
Administration	341,831	379,677	(37,846)	-10.0%
Building occupancy	534,563	506,050	28,513	5.6%
Communications	49,468	41,782	7,686	18.4%
Information systems	215,693	193,958	21,735	11.2%
Professional services	427,506	377,042	50,464	13.4%
Travel	278,928	174,289	104,639	60.0%
Amortization	251,902	225,239	26,663	11.8%
	$ 2,099,891	$ 1,898,037	$ 201,854	10.6%
Total Operating Expenses	$ 8,076,257	$ 7,900,378	$ 175,879	2.2%
% of expenses over revenues	79.6%	86.1%		
% of general and administrative expenses over revenues	20.7%	20.7%		

For the year ended March 31, 2008, there was an increase in operating expenses of $175,879 or two per cent compared to last year. The increase was primarily attributable to the following:

- Building Occupancy
- Information Systems
- Professional Services
- Travel

In 2007-08, 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 for both Victoria and Vancouver offices, contributed to an increase in building occupancy costs.

The increase in information systems expenses of $21,735 was due to the following implementations:

- A new firewall and Virtual Private Network (VPN) system to improve security and reliability;
- A stand alone Blackberry server to improve efficiency;
- A new network infrastructure system to replace the current system which has reached the end of its useful live; and
- Other projects which were necessary to improve efficiency.

Even though there was an increase in professional fees in fiscal 2008-09 compared to fiscal 2007-08, the actual amount incurred was still below budget. The increase in professional fees was due to planned expenditures as the Company commenced its professional development and leadership training program for its professional staff. This program forms part of the Company's human resources strategy to invest in the Company's employees and to improve retention given the suitability of the Company's staff to other organizations in the PPP market. In addition, the Company upgraded its accounting system and implemented a web-based timesheet and expense reporting system. The implementation which was completed on February 1, 2009 will improve the timeliness of invoicing, thus improving cash flow and also the timing of monthly financial statement reporting.

The increase in non-recoverable travel expenses was attributable to increases in fares due to fuel costs.

There were also the following one-time events which contributed to the increase in non-recoverable travel:

- Research trip with Partnerships BC's health care clients to meet with Partnerships UK to discuss the procurement of health facilities in the United Kingdom. This research trip informed Partnerships BC and its clients in advance of the implementation of project agreements and construction of three hospital projects; and
- Relocation costs for newly recruited employees.

The Company has a travel policy which requires all travel to be recoverable from projects or from conferences and failing that, to be pre-approved by senior management. Attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits.

Going forward, Partnerships BC has budgeted approximately $240,000 for travel in 2009-10. The decrease of approximately $30,000 compared to 2008-09 is in line with government's policy to reduce non-essential travel because of the anticipated downturn in the economy.

The decrease in salaries and benefits of $25,975 was mainly attributable to the timing of the hiring of employees and consultants required to resource existing projects and new work. This was in line with the Company's strategy to resource projects with existing resources before contracting with consultants or hiring a full-time employee. In addition, the Company decided not to replace certain senior employees who resigned during the year but rather promote from within.

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. The next compensation review is scheduled for 2009-10 to be effective 2010-11.

The decrease in administration costs of $37,846 was attributable to decreases in the following areas:

- Reduced business development activities as a result of the Province's new capital standard which requires all projects which require provincial funding in excess of $50 million to be reviewed by Partnerships BC. This has provided Partnerships BC with access to and knowledge of all infrastructure projects planned by ministries, Health Authorities, Crown corporations and municipalities;
- Decrease in the number of journal subscriptions; and
- Improved recoverability of direct administrative expenses from projects where the Company had five projects reach financial close and four projects enter the market.

Overall, the Company's general and administrative expenses as a percentage of revenues in 2008-09 were 20.7 per cent which was in line with the 20.7 per cent achieved in 2007-08. The general and administrative expenses as a percentage of revenues for 2008-09 was also in line with the internal benchmark where general and administrative expenses should be between 20 per cent and 22 per cent of revenues.

Comparison to Budget

The table below provides details of the Company's actual and budgeted expenses for 2008-09.

	2009 Actual	2009 Budget	Change	%
Salaries and benefits	$ 5,976,366	$ 7,152,132	$ (1,175,766)	-16.4%
General and Adminstrative Expenses				
Administration	341,831	399,480	(57,649)	-14.4%
Building occupancy	534,563	515,364	19,199	3.7%
Communications	49,468	86,500	(37,032)	-42.8%
Information systems	215,693	191,092	24,601	12.9%
Professional services	427,506	463,800	(36,294)	-7.8%
Travel	278,928	231,484	47,444	20.5%
Amortization	251,902	234,693	17,209	7.3%
	$ 2,099,891	$ 2,122,413	$ (22,522)	-1.1%
	$ 8,076,257	$ 9,274,545	$ (1,198,288)	-12.9%
% of expenses over revenues	79.6%	85.9%		
% of general and administrative expenses over revenues	20.7%	19.7%		

Salaries and benefits for the year ended March 31, 2009 were under budget by $1,175,766. 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 44.95 FTEs, Partnerships BC had an average of 40.02 FTEs in 2008-09. The Company did not fully replace some employees, including the Company's Vice-President of Partnerships Services, who resigned during the year. Instead, the Company promoted from within and contracted individuals who were Project Directors and Senior Consultants with PPP and project management experience to provide short-term project resources.

Administration costs for the year ended March 31, 2009 were under budget by $57,649. This was largely due to the reduced business development activities and improved recoverability of direct project expenses where the Company had five projects reach financial close and four projects enter the market.

Building occupancy costs for the year ended March 31, 2009 were over budget by $19,199 due to larger than anticipated increase in operating costs for the Vancouver and Victoria offices. In addition, as a result of several attempted break-ins in the Victoria office building where Partnerships BC's office is located, Partnerships BC decided to improve its office security by installing an alarm security system and monitoring it during non-business hours. The installation and monitoring costs were not included in the Company's 2008-09 budget.

Communications expenses for the year ended March 31, 2009 were under budget by $37,032 as the Company did not completely utilize its communications consultants' budget, as there were sufficient internal resources to complete all the required communication initiatives. In the fourth quarter of 2008-09, the Company's communications department had four full time employees compared to three in 2007-08. This arrangement was necessary as a result of having nine projects entering the market and five reaching financial close.

Information systems for the year ended March 31, 2009 were over budget by $24,601 because the Company did not budget for the following implementations:

- A new firewall and VPN system to improve security and reliability;
- A stand alone Blackberry server to improve efficiency;
- A new network infrastructure system to replace the current system which has reached the end of its useful life; and
- Other projects which were necessary to improve efficiency.

Professional fees for the year ended March 31, 2009 were under budget by $36,294 as the Company did not fully utilize its technical and financial consultants' budgets. The Company budgeted for and plans to incur these expenses in 2009-10.

Travel expenses for the year ended March 31, 2009 were over budget by $47,444 mainly because of fuel surcharges charged by transportation providers and certain one-time business travel for meetings with other external, provincial and federal PPP organizations.

Total expenses for the year ended March 31, 2009 as a percentage of revenues were 79.6 per cent compared to the budget of 85.9 per cent. However, general and administrative expenses for the year ended March 31, 2009 as a percentage of revenues were slightly above budget expectations, 20.7 per cent versus 19.7 per cent. The overall decrease in total expenses reflected the Company's efforts to manage and control its compensation and 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. The Audited Consolidated Financial Statements as at March 31, 2009 do not include the accounts of ARHCC because on May 6, 2008, ownership of ARHCC was transferred to FHA and PHSA as the organizations overseeing the operations of the hospital and cancer centre.

	2009	2008	Change	%
Cash and cash equivalents	$ 10,375,360	$ 54,393,982	$ (44,018,622)	-80.9%
Accounts receivable	3,739,248	11,654,471	(7,915,223)	-67.9%
Property and equipment - hospital	–	405,169,030	(405,169,030)	-100.0%
Deferred development costs	–	9,204,103	(9,204,103)	-100.0%
Other assets	414,767	455,222	(40,455)	-8.9%
Total assets	14,529,375	480,876,808	(466,347,433)	-97.0%
Accounts payable and accrued liabilities	2,295,063	3,288,165	(993,102)	-30.2%
Loan payable	–	377,069,733	(377,069,733)	-100.0%
Deferred capital contribution	–	87,793,082	(87,793,082)	-100.0%
Total liabilities	2,295,063	468,150,980	(465,855,917)	-99.5%
Total shareholder's equity	$ 12,234,312	$ 12,725,828	$ (491,516)	-3.9%

Cash and cash equivalents decreased by $44,018,622 from $54,393,982 as at March 31, 2008 to $10,375,360 as at March 31, 2009. The breakdown of cash and cash equivalents as at March 31, 2009 was as follows: $9,861,983 in cash and $513,377 in investments. In comparison, 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). The increase in cash was due to the increased revenues in 2008-09 especially the receipt of $1,000,000 in completion fees when ARHCC reached substantial completion on May 6, 2008. The decrease in restricted cash was due to the transfer of ARHCC to FHA and PHSA on May 6, 2008.

Accounts receivable decreased by $7,915,223 from $11,654,471 as at March 31, 2008 to $3,739,248 as at March 31, 2009. Overall, there was an increase in accounts receivable if accounts receivable attributable to ARHCC was excluded from the calculation. Even though there was an increase in accounts receivable, Partnerships BC's current receivables (between 0 and 30 days) still stood at 86 per cent. This was in line with the Company's requirement to meet its internal benchmark of current accounts receivable of 70 per cent of its total receivables at month-end.

The balances for property and equipment – hospital, deferred development costs, loan payable and deferred capital contribution were nil on May 6, 2008 when ARHCC was transferred to FHA and PHSA.

There were no significant changes to other current assets. There was an increase of $221,118 in capital assets, which was in line with the Company's approved capital expenditures budget but this was offset by amortization expenses of $251,902.

Liabilities and shareholder's equity
Accounts payable and accrued liabilities decreased by $993,102 from $3,288,165 as at March 31, 2008 to $2,295,063 as at March 31, 2009. If accounts payable and accrued liabilities attributable to ARHCC were excluded, there would have been a $213,960 decrease in accounts payable and accrued liabilities.

The decrease in shareholder's equity was attributable to the transfer of the piece of land with a net book value of $2,568,100 to FHA and PHSA on May 6, 2008. Excluding this transfer, there was an increase in shareholder's equity as a result of an increase in net income earned during the year. Similar to the previous 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.

	2009	2008	Change
Cash and cash equivalents, beginning of year	$ 54,393,982	$ 107,210,335	$ (52,816,353)
Cash provided by (used by):			
Operating activities	1,926,918	298,884	1,628,034
Investing activities	(221,118)	(105,612,576)	105,391,458
Financing activities	(45,724,422)	52,497,339	(98,221,761)
Cash and cash equivalents, end of year	$ 10,375,360	$ 54,393,982	$ (44,018,622)

Cash flow from operating activities
Cash flow from operating activities was $1,926,918 in 2008-09 compared to a cash flow of $298,884 in 2007-08, an increase of $1,628,034. Net income increased $800,381 but there was a reduction in working capital, especially accounts receivable which increased $408,965.

Cash flow from investing activities
Cash used in investing activities was $221,118 in 2008-09 compared to $105,612,576 in 2007-08, for a decrease of $105,391,458. If the activities attributable to ARHCC were excluded from the calculation, there would be a difference of $102,003. The decrease was due to the reduced property and equipment – office expenditures in 2008-09 but they were in line with the Company's approved capital expenditures budget. Going forward, the property and equipment – office expenditures is expected to increase due to the current network infrastructure reaching the end of its useful life in 2009-10.

Cash flow from financing activities
Cash used in financing activities was $45,724,422 in 2008-09 compared to cash flow provided by financing activities of $52,497,339 in 2007-08, a decrease of $98,221,761. The change was mainly attributable to the transfer of the common shares of ARHCC to FHA and PHSA on May 6, 2008.

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.

	2009	2008	Change
Cash and cash equivalents	$ 10,375,360	$ 54,393,982	$ (44,018,622)
Accounts receivable	3,739,248	11,654,471	(7,915,223)
Other current assets	26,247	35,918	(9,671)
	14,140,855	66,084,371	(51,943,516)
Accounts payable and accrued liabilities	2,295,063	3,288,165	(993,102)
Net working capital	$ 11,845,792	$ 62,796,206	$ (50,950,414)

As at March 31, 2009, the Company's principal sources of liquidity include cash and cash equivalents of $10,375,360 and accounts receivable of $3,739,248. The Company also has $2,295,063 in accounts payable and accrued liabilities due next year.

Commitments

The Company is committed to payments under operating leases for premises through 2014-15 as follows:

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

Prior Period Adjustment

During the completion of the May 6, 2008 stub period audit for ARHCC, it was determined that the valuation of the property and equipment - hospital had been overstated due to the recording of Goods and Services Tax related to equipment purchases and for the treatment of certain long-term costs that should not have been included in the cost of construction. In addition, a portion of interest earnings credited to deferred capital contributions was actually payable to the private partner and should have been reflected as a current liability. There were discussions whether these adjustments were the result of a change in accounting estimate which would not have required retroactive restatement or an error which would have required retroactive restatement. Even though there were arguments to support the adjustments being a change in accounting estimate as a result of additional information being made available during the stub period audit, it was determined that the comparative financial statements for ARHCC would be adjusted for these items. This would provide FHA and PHSA with the audited financial statements of ARHCC as at May 6, 2008 which would represent their opening balances without the need to make any additional adjustments. As a result, the comparative consolidated financial statements of Partnerships BC were adjusted for these items.

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. 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 adjustments is disclosed in Note 16 to the consolidated financial statements.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2009, 2008 and 2007.

	2009	2008	2007
Total revenues	$ 10,152,841	$ 9,176,581	$ 8,182,737
Total operating expenses	$ 8,076,257	$ 7,900,378	$ 7,576,805
Net income	$ 2,076,584	$ 1,276,203	$ 605,932
Total current assets	$ 14,140,855	$ 66,084,371	$ 113,900,850
Total assets	$ 14,529,375	$ 480,876,808	$ 353,463,019
Total current liabilities	$ 2,295,063	$ 3,288,165	$ 2,800,576
Total liabilities	$ 2,295,063	$ 468,150,980	$ 342,013,394

The total current assets, total assets, total current liabilities and total liabilities for 2008-09 were significantly different from 2007-08 and 2006-07 as a result of the transfer of the common shares of ARHCC to FHA and PHSA on May 6, 2008.

Outlook for Fiscal 2009-10

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 2009-10, Partnerships BC will continue to evaluate, structure and implement PPPs which serve the public interest. The implementation of the revised capital standard policy, together with projects expected to enter the market in the health, transportation and accommodation sectors, new and existing clients and 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 2009-10 to 2011-12 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbc.ca.

Management Report

The consolidated financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2009, have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2009.

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

The Board of Directors carries out its responsibility for the review of the consolidated financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Dunwoody LLP has performed an independent audit of the consolidated financial statements of Partnerships British Columbia Inc. The Auditors' report outlines the scope of their examination and expresses an opinion on the consolidated financial statements of Partnerships British Columbia Inc.

Larry Blain
President and Chief Executive Officer
Partnerships British Columbia Inc.

Chan-Seng Lee, CA
Assistant Vice President, Finance and Administration
Partnerships British Columbia Inc.

BDO Dunwoody LLP
Chartered Accountants

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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, 2009 and 2008 and the Consolidated Statements of Income and Retained Earnings and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
April 17, 2009

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

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

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

APPROVED ON BEHALF OF THE BOARD

R.T. Mahler, Director

H. Calla, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Balance Sheets as at March 31

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

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

PARTNERSHIPS BRITISH COLUMBIA INC.

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

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

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

PARTNERSHIPS BRITISH COLUMBIA INC.

Consolidated Statements of Cash Flows for the Years Ended March 31

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

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

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

1. Nature of Business

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Minister of Finance. The Company's mandate is to evaluate, structure and implement public private partnerships which serve the public interest. The Company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management;
- Provide advice to the Province and its agencies on public private partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants;
- Foster a positive business and policy environment for successful public private partnerships and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these emerging areas; and
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

The Company's former wholly-owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC) (formerly Abbotsford Hospital and Cancer Centre Inc.) was incorporated under the Company Act on September 2, 2003 to enter into a public private partnership as the public sector partner for the building and operation of a hospital and cancer centre in Abbotsford, British Columbia. ARHCC is classified as a not-for-profit organization under Section 149(1)(l) of the Income Tax Act. Pursuant to the ARHCC Share Transfer Agreement, on May 6, 2008, the Company transferred the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

2. Summary of Significant Accounting Policies

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

a. Principles of Consolidation

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

b. Short-Term Investments

Short-term investments comprise of highly liquid investments such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments and Canadian government securities with maturities of 90 days or less from date of purchase. Short-term investments are classified as held-for-trading financial instruments in accordance with the new requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments", adopted by the Company on April 1, 2007. These investments are recorded at fair value with unrealized gains and losses being recorded in income in the current period.

c. Property and Equipment

Property and equipment – office are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following annual rates:

• Computer software	2 years
• Computer hardware	3 years
• Furniture and equipment	5 years
• Leasehold improvements	5 years
• Knowledge management	2 years
• Website development	3 years

d. Deferred Development Costs

Deferred development costs represent the direct development and overhead costs directly attributable to the development of ARHCC. These costs include pre-acquisition costs such as environmental studies, legal and other professional services, net of unrestricted interest earned. These costs formed part of the capitalized cost of the asset, when it was transferred to the Fraser Health Authority and Provincial Health Services Authority on May 6, 2008.

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

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

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

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

Fees for Services
The Company provides professional services under fee for service, cost based and fixed price contracts. Work-in-progress is valued at estimated net realizable value. Under level of effort contracts, revenue is recognized as services are provided. For cost based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the projects. Losses, if any, on fixed price contracts are recognized during the period they are identified. The Company recognizes revenue when persuasive evidence of an agreement exists, the terms are fixed or determinable, services are performed and collection is probable.

Capital Contributions
The Company follows the deferral method of accounting for capital contributions. Contributions are deferred and are amortized to income at the same rate as the related capital asset.

h. Accounting Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of accounts receivable, accounts payable and accrued liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates. Transactions requiring significant degrees of estimation include useful lives of capital assets and percentage of completion on contracts.

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

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

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

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

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

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

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

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

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

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

Sections 3862 and 3863 replace Section 3861 "Financial Instruments – Disclosure and Presentation". These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Note 15 sets out the new disclosures related to the new requirement.

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

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

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

3. Consolidation

Partnerships BC incorporated a wholly-owned subsidiary, ARHCC, under the Company Act on September 2, 2003 and commenced operations on that date to provide a single public entity to contract with the private sector partner in the development of a new hospital and cancer centre. ARHCC entered into a project agreement with the private sector partner on December 7, 2004. Under the agreement, the private sector partner will design, construct, finance, operate and maintain the hospital and cancer centre until the end of the term of the agreement.

All payment obligations to the private sector partner are guaranteed by the Province. On May 6, 2008, ownership of ARHCC was transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre.

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

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

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

4. Cash and Cash Equivalents

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

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

Short-term investments consist of liquid investments, such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money market instruments and Canadian government securities with maturities of 90 days or less from the date of purchase.

5. Property and Equipment – Office

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

6. Property and Equipment – Hospital

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

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

7. Deferred Development Costs

Deferred development costs represent the accumulation of all planning costs, net of unrestricted interest earned, directly attributable to the acquisition of the hospital and cancer centre.

8. Deferred Capital Contribution

Deferred capital contribution represents the contributions received from the Fraser Valley Regional Hospital District and reimbursements from the Ministry of Health for ARHCC's monthly operating costs.

9. Contributed Surplus

Partnerships BC was incorporated on October 26, 1977 (as Duke Point Development Limited) under the Business Corporations Act, formerly the Company Act, as a Crown corporation of the Province. In March 2002, Duke Point Development Limited transferred all its physical property to the Province and ceased all land development activities. In August 2002, as part of the restructuring of the Corporation, the Province, as shareholder, authorized the elimination of the accumulated deficit of Duke Point Development Limited, in the amount of $29,786,662, by reducing the shareholder's contributed surplus of $34,371,288 by a corresponding amount. The remaining balance of $4,584,626 remains in contributed surplus of Partnerships BC.

In fiscal 2005, the Fraser Health Authority transferred a piece of land with a net book value of $2,568,100 to the Company for nil consideration. The corresponding credit was made to contributed surplus. This credit was reversed on May 6, 2008 when the Company transferred the common shares of ARHCC to the Fraser Health Authority and the Provincial Health Services Authority.

10. Project Expenses

Project expenses represent costs, such as legal and consulting fees, incurred by Partnerships BC in connection with projects. The Company normally recovers these costs from its clients. Indirect and specific project costs ineligible for reimbursement are covered by provincial government revenue under the Public Private Partnerships Agreement between the Province and Partnerships BC, dated April 1, 2002.

Project expenses incurred during the year are as follows:

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

11. Commitments

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

The estimated payments are as follows:

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

12. Loan Payable and Contractual Obligations

The expenditures made towards property and equipment – hospital were recorded as a loan payable. Partial repayments were made from contributions received from the Fraser Valley Regional Hospital District. These repayments were made on a quarterly basis. The financing terms were closely bound to the public private partnership agreement and as such there was no stated interest rate. An estimated interest rate of 7.75 per cent per annum was applied to determine the principal portion of the payments.

The public private partnership agreement provides for the private sector partner to operate and maintain the hospital and cancer centre from the time it reaches substantial completion, May 6, 2008 until April 2038. ARHCC started making payments once the hospital and cancer centre reached substantial completion on May 6, 2008.

13. Employee Benefit Plan

The employees and employers of the public service contribute to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2008 indicated a surplus of $487 million for basic pension benefits.

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

14. Related Parties

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at prevailing market prices and credit terms.

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

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

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

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

15. Financial Instruments

a. Fair value of financial instruments

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

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

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

b. Financial management risk objectives and policies

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

c. General objectives, policies and processes

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

d. Credit risk

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

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

e. Liquidity risk

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

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

f. Market risk

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

i. Interest rate risk

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

ii. Other price risk

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

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

g. Sensitivity analysis

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

16. Prior Period Adjustment

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

The impact of this adjustment is to:

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

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

17. Capital Management

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

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

PHOTOS
William R. Bennett Bridge