



partnerships
British Columbia

2010 | 2011
Annual Report

2010/11 Highlights >

Cover photos (Clockwise from top left): South Fraser Perimeter Road Project; Surrey Memorial Hospital Redevelopment and Expansion Project; Port Mann/Highway 1 Improvement Project; Jim Pattison Outpatient Care and Surgery Centre; Surrey Memorial Hospital Redevelopment and Expansion Project.

Sarah Clark named new President & CEO

12 procurements reached a final project agreement

Highest level of competition at the qualification stage

First projects to be procured in two new sectors

4 national/international project awards

24 planning and procurement **guidance documents**
developed or updated

Top-ranked company in the Public Sector,

Crowns and Non-Profit category in the BC Business Magazine,

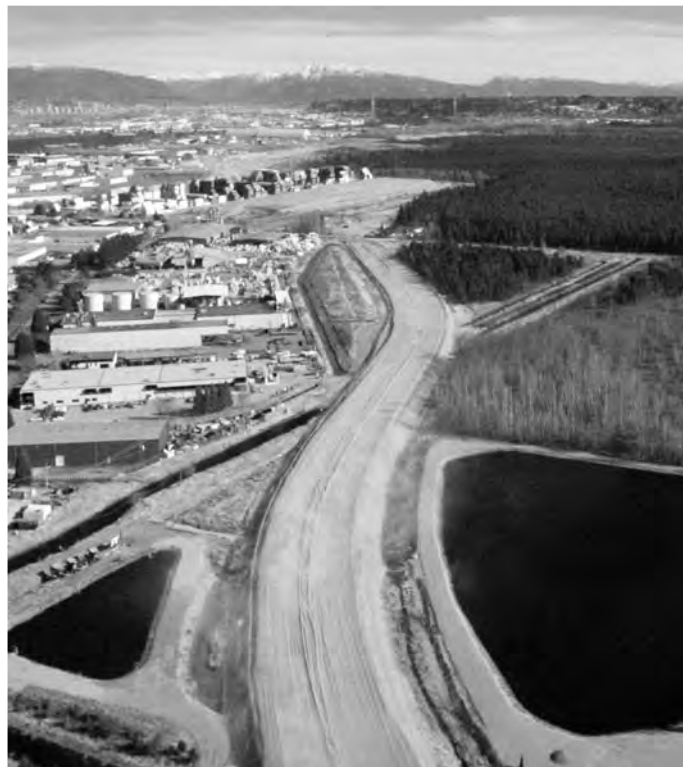
Best Companies to Work for in B.C. survey



(Clockwise from top left): Royal Jubilee Hospital Patient Care Centre; Jim Pattison Outpatient Care and Surgery Centre; Vernon Jubilee Hospital's Polson Tower; Port Mann/Highway 1 Improvement Project (north tower construction).

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(Clockwise from top): Fort St. John Hospital and Residential Care Project; South Fraser Perimeter Road Project; Modular Classroom Project; Surrey Memorial Hospital Redevelopment and Expansion Project.

Message from the Chair

It is my pleasure to present the 2010/11 Annual Report for Partnerships British Columbia Inc. (Partnerships BC or the Company).

The last 12 months have been an exceptional time of evolution and accomplishment for Partnerships BC. A new President and CEO was appointed, the Company broadened its service offering, and there were significant project and corporate successes.

In October 2010, the Board of Directors appointed Sarah Clark as President and CEO following a well thought-out succession plan. Under Ms. Clark's leadership, Partnerships BC will continue in its role as a global leader in bringing innovation to the planning and procurement of major capital projects and making a significant contribution to the emergence of Canada as one of the world's most active and attractive environments for partnership projects.

With involvement in more than 35 partnership projects over the last eight years, in 2010/11, the Company began to apply its experience and expertise more broadly. At the direction of its Shareholder, the Minister of Finance, Partnerships BC began to seek new opportunities to leverage its experience and commercial skills by expanding its role in the planning, procurement and implementation of capital projects which use a combination of partnership and other procurement methods. It remains a Company priority that all partnership projects, regardless of their procurement model, continue to provide exceptional value for taxpayers' dollars by ensuring their timely and cost-effective delivery.

I am pleased to report that during 2010/11, there were a number of notable firsts for the Company, including:

- The procurement launch for the first public private partnership correctional facility in British Columbia; and
- The successful closing of:
 - The first federal project in the accommodations sector;
 - The first project with BC Hydro, which closed within a challenging schedule;
 - The first design-build project in health care; and
 - The Modular Classroom project.

The year also saw final project agreements signed for two other significant provincial projects: the South Fraser Perimeter Road and the Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower. All of the aforementioned projects were successful with strong benefits for taxpayers.

In addition to the numerous project achievements, the Company improved upon its previous performance by having the largest increase in the number of new clients, completing the most procurements, having the highest number of bidders respond to a Request for Qualifications, and expanding its role in the post-financial close sector.

Each of these successes is a sign that the partnership market remains strong and competitive in British Columbia, encouraging innovation and increasing value for our clients and taxpayers.

Partnerships BC continues to support the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. The Company is working with BC Hydro to focus on developing energy efficient infrastructure and new sources of green energy.

The Partnerships BC Board of Directors reviewed corporate performance in 2010/11 and concluded that the Company had successfully delivered on its corporate goals in the Service Plan: structuring and implementing public private partnership solutions; encouraging growth and development of the market; and remaining commercially viable.

Going forward, Partnerships BC expects to meet its revenue growth and net income margin target as outlined in its 2011/12 to 2013/14 Service Plan.

On behalf of the Board, I would like to thank Kirsten Tisdale and Sharon White for their service and contribution during their time on the Board. I am also pleased to recognize Rick Mahler, the inaugural Chair of the Board, whose years of dedication and guidance have so significantly contributed to the success of the Company.

I would also like to acknowledge the professionalism and dedication of the entire team at Partnerships BC.

The 2010/11 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, 2011. All significant decisions, events and identified risks, as of March 31, 2011 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,



Larry Blain
Chair

Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable, performance-based infrastructure that meets the needs of British Columbians. Partnerships BC is a company owned by the Province of British Columbia and is 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 updated vision for 2011 is to be a recognized leader in evaluating, structuring and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability.

The Company's clients include public sector agencies

such as ministries, Crown corporations, health authorities, advanced education institutions, municipal governments, the federal government and other provincial governments.

Partnerships BC's services are valuable 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 to advisory services during the design and construction and operations phases. 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 partnership projects.

Specific service offerings are described in the table below.

BUSINESS PLANNING	PROCUREMENT PROCESS	POST-FINANCIAL CLOSE
<ul style="list-style-type: none"> • Early Project Screening • Concept Plans • Procurement Options Assessment • Business Case <ul style="list-style-type: none"> - Market Sounding - Quantitative Analysis - Risk Analysis - Multiple Criteria Analysis - Procurement Options Analysis 	<ul style="list-style-type: none"> • Procurement Management • Evaluation Management • Contract Negotiations • Service Integration <ul style="list-style-type: none"> - Consultant Reporting • Project Reporting 	<ul style="list-style-type: none"> • Design and construction phase support and advice (e.g. support during design development phase) • Operations phase advice (e.g. negotiating change orders; due diligence for change of control; lessons learned reviews)
KNOWLEDGE MANAGEMENT • GUIDANCE DOCUMENTS AND TEMPLATES		
STRATEGIC COMMUNICATIONS • STAKEHOLDER MANAGEMENT • PROJECT GOVERNANCE		
RECOMMENDATIONS TO TREASURY BOARD		

New Zealand Council for Infrastructure Development

Email from Stephen Selwood

May 23, 2010

“The insights that you were able to provide on infrastructure planning, funding and delivery within your country and the role that PPPs and Partnerships BC play were most valuable.”

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 builds relationships with private sector 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.

Partnerships BC is structured into strategic service units that support the Company's project focus and operational requirements: Projects, Partnerships Services, and Finance and Administration. These business units, and their primary functions, are described in the table below.

SENIOR MANAGEMENT TEAM

Sarah Clark
President and Chief Executive Officer

<p>Doug Ewing Vice President Projects</p>	<p>Susan Tinker Vice President Partnerships Services</p>	<p>Chan-Seng Lee Vice President Finance and Administration</p>
<p>AREAS OF RESPONSIBILITY</p> <ul style="list-style-type: none"> • Business Development • Project Governance and Delivery • Corporate Relations • Market Development • Senior Project Advisor 	<p>AREAS OF RESPONSIBILITY</p> <ul style="list-style-type: none"> • Policy and Practices • Communications • Legal Services • Procurement Services • Knowledge Management and Research • Senior Project Advisor 	<p>AREAS OF RESPONSIBILITY</p> <ul style="list-style-type: none"> • Finance and Accounting • Human Resources • Administration • Facilities • Information Technology • Contract Management • Corporate Governance

Partnerships BC's human resources strategy is 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 service firms in the private sector and comparable public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with partnership 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, career opportunities and best practice guidance documents. For more information, visit: www.partnershipsbc.ca.

YEAR IN REVIEW

2010

APRIL

- RFQ issued for Surrey Pretrial Services Centre Expansion Project
- RFQ issued for Clinical Support Building at Kelowna General Hospital

MAY

- Fraser Transportation Group named preferred proponent for South Fraser Perimeter Road
- Royal Jubilee Hospital Patient Care Centre wins Best International Project award
- RFQ for Smart Meter data management system issued

JUNE

- Released the Project Report: Achieving Value for Money for BC Cancer Agency Centre for the North
- RFP issued for the Modular Classroom Project
- Canada Line recognized as world-class project

Corporate Governance

YEAR IN REVIEW

2010

JULY

- RFQ issued for Evergreen Line Rapid Transit Project
- Port Mann / Highway 1 Project 1/3 complete
- RFP for Smart Metering system issued
- Groundbreaking ceremony kicks off construction for BC Cancer Agency Centre for the North

AUGUST

- RFP issued for Surrey Pretrial Services Centre Expansion Project
- RFP issued for Clinical Support Building at Kelowna General Hospital
- Final project agreement signed for South Fraser Perimeter Road
- Canada Line celebrates one year of service

Partnerships BC is governed by a Board of Directors that ensures the operations of the Company reflect the interests of the Shareholder. The initial 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 key functions of the Board include: to provide governance and oversight for the Company, and to review and recommend potential partnership opportunities.

The Board follows governance principles as set out in the Best Practices Guidelines published by the Board Resourcing and Development Office of the Ministry of Finance. The activities of the Board are governed by disclosure guidelines set by the Province. Details on Partnerships BC's governance practices, as well as Terms of Reference for the Board, its committees and Directors, can be found at: www.partnershipsbc.ca/files/governance-practices.html.

The Board as at March 31, 2011, consisted of the following Directors: Larry Blain (Chair), Rick Mahler (past Chair), Gordon Steele (Lead Director), Ed Andersen, Brian Bentz, Susan Conner, Colin Dobell, Dan Doyle and Peter Kappel.

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 2010/11 committee members were: Susan Conner (Chair), Colin Dobell, Dan Doyle and Peter Kappel. The Board Chair, the Chair of the Human Resources and Governance Committee and the Lead Director 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 2010/11 committee members were: Brian Bentz (Chair), Ed Andersen and Gordon Steele. The Board Chair, the Chair of the Audit and Risk Management Committee and the Lead Director also attend meetings of the Human Resources and Governance Committee.



Back row (left to right): Brian Bentz, Ed Andersen, Peter Kappel, Dan Doyle
Front row (left to right): Susan Conner, Larry Blain (Chair), Gordon Steele
Missing: Colin Dobell

Report on Performance

Over the last eight years, Partnerships BC has participated in more than 35 partnership projects with an investment value of \$12.5 billion, of which \$5 billion is private finance. The company has developed a reputation as an experienced and reliable service provider that has credibility with both the public and private sectors.

Partnerships BC had a successful year in 2010/11 with 12 projects across six different sectors reaching a final project agreement. Three projects in the transportation, health and corrections sectors were in active procurement; nine projects were in the business planning stage; and post-financial close advisory services were retained by clients in the corrections and accommodations sectors.

Affordability best practices were implemented for all projects in the business planning and procurement stages, ensuring that project benefits will be delivered within budget. As well, a total of 24 guidance documents were either developed or updated to capture best practices and experience to date.

Though financial markets continued to improve over the last year—still in recovery from the global financial crisis in summer 2008—capital availability and cost have not returned to pre-crisis levels. The Company continues to optimize sources of financing and ensure that projects remain affordable.

In 2010/11, Partnerships BC continued its efforts to create a strong, coordinated Canadian market. The Company worked with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian markets remained attractive to market participants. Given the record participation levels seen on some of Partnerships BC's projects in the past year, efforts on this front are showing strong results.

Performance Results

Building on the platform of success established over eight years of operation and reflecting both the vision of its Board of Directors and the needs of its Shareholder, the Company focused on three corporate goals for the 2010/11 fiscal year:

1. Structure and implement public private partnership solutions which serve the public interest (60 per cent*),
2. Encourage development of the public private partnership market in British Columbia (15 per cent*), and
3. Remain commercially viable and increase productivity (25 per cent*).

The Company's three corporate goals, along with the strategies, measures and targets for achieving those goals, were selected to reflect the nature of the advisory services business model under which Partnerships BC operates, and also to reflect the maturity of the public private partnership market.

The management team presented Partnerships BC's performance results to the Board of Directors at the end of 2010/11 and the Board determined that the Company achieved, and in some cases surpassed, its corporate goals.

YEAR IN REVIEW

2010

SEPTEMBER

- Shelter Industries named preferred proponent for Modular Classroom Project
- Last bricks laid at new Royal Jubilee Hospital Patient Care Centre
- RFP for Smart Meter data management system issued

OCTOBER

- Sarah Clark named President & CEO
- Final project agreement signed for Modular Classroom Project
- Integrated Team Solutions named preferred proponent for Surrey Memorial Hospital: Emergency Department and Critical Care Tower

*Weighting applied by Board in assessing corporate performance

Results (Based on 2010/11 Corporate Goals)

GOAL 1 – Structure and implement public private partnership solutions which serve the public interest (60 per cent)

STRATEGIES

- Continued to build and improve upon relationships with public sector client agencies and undertook business development beyond core provincial government client agencies.
- Ensured that a wide client group was aware of the potential benefits of public private partnerships.
- Continually sought out business opportunities with new, potential and existing clients.
- Developed business plans that incorporated rigorous financial analysis, risk assessment and management tools to provide a solid foundation for decision making, based on an assessment of a full range of quantitative and qualitative factors.
- Published documents that 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.
- Continually assessed and appraised the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and private partners. Strategies included conducting client surveys and conducting market consultations.

Performance Measures	PAST PERFORMANCE		2010/11 PERFORMANCE	
	2008/09 Results	2009/10 Results	Targets	Results
<ul style="list-style-type: none"> Public private partnership development agreement engagements with Province and/or other agencies 	<ul style="list-style-type: none"> 25 new engagements Engaged new sectors: corrections, colleges New engagements with other jurisdictions: Saskatchewan, Prince Edward Island Project implementation advisory services provided on health and transportation projects 	<ul style="list-style-type: none"> 25 new engagements Two projects reached a final project agreement Two projects in procurement Expanded post-financial close engagements 	<ul style="list-style-type: none"> Positive assessment by Board of Directors of engagements achieved 	<ul style="list-style-type: none"> Positive assessment by the Board of Directors as a result of: <ul style="list-style-type: none"> 20 new engagements 12 projects reached a final project agreement Three projects in procurement Two additional post-financial close engagements
<ul style="list-style-type: none"> Revenue growth 	<ul style="list-style-type: none"> 15% Eight engagements with non-Provincial clients Four post-financial close engagements Business case development for multiple sectors 	<ul style="list-style-type: none"> -13% 17 engagements with non-Provincial clients Five post-financial close engagements 	<ul style="list-style-type: none"> 3% 	<ul style="list-style-type: none"> 7% 11 engagements with non-Provincial clients Two post-financial close engagements Business case development for multiple sectors
<ul style="list-style-type: none"> Client survey results indicate Partnerships BC performance meets or exceeds client expectations 	<ul style="list-style-type: none"> Client survey not conducted in 2008/09 Positive anecdotal feedback received from clients across multiple sectors Positive feedback from the Shareholder 	<ul style="list-style-type: none"> Client survey not conducted in 2009/10 Positive anecdotal feedback received from clients across multiple sectors Positive feedback from the Shareholder 	<ul style="list-style-type: none"> Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery 	<ul style="list-style-type: none"> Positive feedback received from client and stakeholder review
<ul style="list-style-type: none"> Project milestones achieved 	<ul style="list-style-type: none"> All controllable project milestones achieved 	<ul style="list-style-type: none"> All controllable project milestones achieved 	<ul style="list-style-type: none"> Positive assessment by Board of Directors (on project milestones achieved) 	<ul style="list-style-type: none"> Positive assessment by the Board of Directors as a result of all controllable project milestones being achieved
<ul style="list-style-type: none"> Publish Project Report or communications on all projects after financial close has been reached, where applicable 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed 	<ul style="list-style-type: none"> 100% documents completed or in progress
<ul style="list-style-type: none"> Publish fairness and probity opinions on projects where size and scope warrants fairness review 	<ul style="list-style-type: none"> 100% reports published Clean fairness opinions on four projects (RFQ process) 	<ul style="list-style-type: none"> 100% reports published Clean fairness opinions on three projects (RFQ and RFP processes) 	<ul style="list-style-type: none"> 100% reports published 	<ul style="list-style-type: none"> 100% reports published Clean fairness opinions on all projects (six) where warranted (RFQ and RFP processes)

Partnerships BC's mandate is to evaluate, structure and implement partnership delivery solutions which achieve value for money; therefore, the Company measures its performance, in part, by tracking its ability to meet project milestones and generate new engagements for work.

During the year, Partnerships BC actively worked on 20 new engagements and provided a range of services to clients in health, transportation, corrections, energy, education and local and federal governments.

The Company exceeded its revenue growth target for 2010/11 (three per cent target; seven per cent result) as a result of work fee revenues from 15 active projects.

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 2010/11 and the release of fairness advisor reports for those projects. In addition, a Project Report: Achieving Value for Money was released for the BC Cancer Agency's Centre for the North Project and also for the Port Mann/ Highway 1 Improvement Project.

Partnerships BC is dedicated to providing public sector clients with the highest standard of service possible and to ensuring clients are satisfied with the quality of services provided. Positive feedback was received from public sector clients and other jurisdictions, and from Partnerships BC's Shareholder, the Minister of Finance.

News Release

June 25, 2010

"An international publication has featured the rapid transit Canada Line among the 100 most innovative and socially significant infrastructure projects around the world."

—Transportation and Infrastructure Minister Shirley Bond

YEAR IN REVIEW

2010

NOVEMBER

- Larry Blain named P3 champion at national conference
- South Fraser Perimeter Road wins national award from The Canadian Council for Public-Private Partnerships

DECEMBER

- Awarded the top-ranked Company in the Public Sector, Crowns and Non-Profit category in the BC Business Magazine Best Companies to Work for in B.C. survey
- Sarah Clark delivers keynote address to Vancouver Board of Trade
- Final project agreement signed for Clinical Support Building at Kelowna General Hospital
- Final project agreement signed for Surrey Memorial Hospital: Emergency Department and Critical Care Tower

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 public private partnership development agreements with clients in strategic sectors.
- Increased presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identified and applied best practices from project to project to help ensure continuous improvement and consulted regularly with clients and the market in best practice development.
- Focused on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Supported the development of a strong pan-Canadian partnership market.

Performance Measures	PAST PERFORMANCE		2010/11 PERFORMANCE	
	2008/09 Results	2009/10 Results	Targets	Results
<ul style="list-style-type: none"> • New market participants in B.C. 	<ul style="list-style-type: none"> • Active market participation on recent projects • 11 new market participants 	<ul style="list-style-type: none"> • Active market participation on recent projects • Three new market participants 	<ul style="list-style-type: none"> • Number of new market participants 	<ul style="list-style-type: none"> • Active market participation on recent projects • 10 new market participants
<ul style="list-style-type: none"> • Annual examples of best practices established, acknowledged and adopted within the provincial government and by other governments 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • All projects using standard procurement documents and best practices • 25 new or updated best practice/ guidance documents/ templates developed • Effective implementation of new project costing and proposal evaluation system 	<ul style="list-style-type: none"> • Examples of projects utilizing best practices 	<ul style="list-style-type: none"> • All projects using standard procurement templates and best practices • 24 new or updated guidance documents/ templates • Effective implementation of affordability best practices • Lessons learned shared with new clients
<ul style="list-style-type: none"> • Annual examples of synergies and process cost reductions 	<ul style="list-style-type: none"> • Evidence of reduced project costs (e.g. legal and business advisor fees) • Examples of shortened procurement processes • Benchmarks will be established 	<ul style="list-style-type: none"> • Procurement benchmark established 18 months from date of RFQ release to financial close • Fort St. John Hospital and Residential Care Project—14.5 months • BC Cancer Agency Centre for the North—16.8 months 	<ul style="list-style-type: none"> • Project examples where synergies achieved 	<ul style="list-style-type: none"> • Synergies achieved as evidenced through: <ul style="list-style-type: none"> • Reduced project recovery costs • Procurement benchmark of 18 months applied to two design build finance maintain (DBFM) projects • South Fraser Perimeter Road: 24 months • Surrey Memorial Hospital: Emergency Department and Critical Care Tower: 17 months
<ul style="list-style-type: none"> • External validation (i.e. awards, informed media coverage) 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Two project awards • Enhanced stakeholder outreach 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Four project awards • Enhanced stakeholder outreach 	<ul style="list-style-type: none"> • Examples from third party validators 	<ul style="list-style-type: none"> • Positive media coverage—local, national and international • Four project awards

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

One method of tracking synergies and cost reductions is through the procurement benchmark that was adopted in 2009/10. Partnerships BC set a procurement benchmark of 18 months from release of the Request for Qualifications to financial close for all design, build, finance, maintain (DBFM) projects to help maintain consistency in the procurement process. Reporting procurement time is an appropriate measure because the length of procurement is a key driver of the costs incurred for the public and private sectors. Two DBFMs reached a final project agreement in 2010/11 and one of them, the Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower, performed better than the 18-month procurement benchmark. The other project, the South Fraser Perimeter Road Project, exceeded the benchmark as a result of the required property and agricultural land approvals.

In 2010/11, Partnerships BC completed updates to several guidance documents for the planning and procurement stages, and developed new guidance documents for the operations phase. A total of 24 guidance documents or templates were either introduced or revised to ensure they reflected the most recent and relevant lessons learned.

Significant cross-project coordination continued between project teams and included a comprehensive review of all operational health care projects. This task was undertaken to update related guidance materials with post-financial close lessons learned and to develop a workshop for our clients where learnings could be shared and transferred to new projects across a wide range of sectors.

The partnership market in British Columbia remained strong and competitive in 2010/11, encouraging innovation and increasing value for our clients and for taxpayers. Partnerships BC closed more procurements this past year than in any other year previous, and the Company also had seven teams, a record number, respond to the Request for Qualifications for the Surrey Pretrial Services Centre Expansion Project.

Throughout 2010/11, Partnerships BC received external validation from a variety of sources, including: provincial, national and international media coverage; project awards; and client feedback. The Company used its communications and stakeholder relations web-based database to communicate directly with the public, media, market participants and clients to provide updates on the status of partnership projects. Three projects—the Canada Line, the Royal Jubilee Hospital Patient Care Centre and the South Fraser Perimeter Road Project—were recognized with a total of four project awards in 2010. Jurisdictions from around the world continually seek advice from Partnerships BC on how best to structure and implement partnership projects in recognition of the Company's success and leadership in the development of performance-based infrastructure.

P3 projects move into billions
National Post, May 26, 2010

"I think Canada is one of the best infrastructure markets in the world right now."

YEAR IN REVIEW

2011

JANUARY

- Doug Ewing named Vice President, Projects, Partnerships BC
- Evergreen Line Rapid Transit Project receives environmental assessment certificate
- BC Hydro selects Corix, Capgemini for Smart Meters launch

FEBRUARY

- B.C.'s first modular classroom delivered
- 100-day countdown to patient care at Jim Pattison Outpatient Care and Surgery Centre
- RFQ issued for Interior Heart and Surgical Centre Project

MARCH

- Premier launches B.C.'s largest-ever health care project, Surrey Memorial Hospital expansion.
- Brookfield Partnerships Surrey named preferred proponent for Surrey Pretrial Services Centre Expansion Project

GOAL 3 – Remain commercially viable and increase productivity (25 per cent)**STRATEGIES**

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

Performance Measures	PAST PERFORMANCE		2010/11 PERFORMANCE	
	2008/09 Results	2009/10 Results	Targets	Results
• Meet financial plan targets	<ul style="list-style-type: none"> • Net income target met (pre-variable compensation) \$2,564,000 • Exceeded 15% minimum Shareholder target and 20.1% financial plan target with a net income margin of 25.3% (pre-variable compensation) 	<ul style="list-style-type: none"> • Revised financial plan target met 	<ul style="list-style-type: none"> • Meet financial plan target (revenue either meets or exceeds expenses) 	<ul style="list-style-type: none"> • Exceeded financial plan target of 6% with a net income (pre-variable compensation) of 8%
• Maintain competitive charge-out rates to clients	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • 20% 	<ul style="list-style-type: none"> • Charge-out rates increased by 20%
• Employee satisfaction	<ul style="list-style-type: none"> • BC Public Service Agency Work Environment Survey 2008 (overall score of 85) • BC Business Best Companies to Work for in BC Survey (overall score of 4.06 out of 5) 	<ul style="list-style-type: none"> • BC Public Service Agency Work Environment Survey 2009 (overall score of 78) • BC Business Best Companies to Work for in BC Survey (overall score of 4.18 out of 5) 	<ul style="list-style-type: none"> • Employee survey results meet or exceed industry standards, with minimum 85% employee satisfaction 	<ul style="list-style-type: none"> • Participated in the BC Business Best Companies to Work for in B.C. survey • Exceeded sector standards (overall score of 4.12 out of 5) and awarded the top-ranked company in the Public Sector, Crowns and Non-Profit category
• Targeted and relevant training	<ul style="list-style-type: none"> • Achieved training objectives 	<ul style="list-style-type: none"> • Achieved training objectives 	<ul style="list-style-type: none"> • 5% of compensation costs 	<ul style="list-style-type: none"> • Achieved training objectives

In 2010/11, Partnerships BC was engaged to assist with business planning for a number of projects across a variety of sectors. Three projects were in procurement and 12 projects successfully reached a final project agreement. The number of engagements for post-financial close advisory services expanded with more projects entering the design and construction stage of development. Partnerships BC succeeded in expanding its client base and continued to provide a range of services to clients in different sectors. These business activities helped the Company generate sufficient revenue to exceed its financial plan target.

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. One method of gathering employee feedback is through the use of surveys, the results of which are used to continually improve employee engagement. In 2010/11, the Company participated in the BC Business Magazine Best Companies to Work for in B.C. survey. The overall score was 4.12 out of five, and the Company was the top-ranked company in the Public Sector, Crowns and Non-Profit category.

The Company continued to refine its performance management system and implement learning programs to ensure that employees have the opportunity to optimize their individual performance and reach their personal career goals. The Leadership Training and Development Program has been underway for three years now and forms part of the Company's human resources strategy, which is to invest five per cent of its total compensation budget for training and development in staff and enhance their leadership skills.

Future Performance (Based on 2011/12 to 2013/14 Corporate Goals)

In spring 2010, based on direction from its Shareholder, Partnerships BC undertook a review of the company's service model and subsequently revised its corporate goals and performance measures. The new corporate goals reflect a more mature partnership market in British Columbia and the opportunity to provide support to clients with projects in the construction and operations phases. Partnerships BC will provide additional value to our clients by expanding our role in the planning, procurement and implementation of capital projects which use multiple procurement methods, and which seek to meet the Province's energy needs in a more effective and efficient manner.

OLD CORPORATE GOALS		NEW CORPORATE GOALS
<p>Goal 1: Structure and implement public private partnership solutions which serve the public interest (60 per cent)</p>		<p>Goal 1: Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money (25 per cent)</p>
<p>Goal 2: Encourage development of the public private partnership market in British Columbia (15 per cent)</p>		<p>Goal 2: Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development (50 per cent)</p>
<p>Goal 3: Remain commercially viable and increase productivity (25 per cent)</p>		<p>Goal 3: Maintain a self-sustaining organization and provide added value to an increasingly diverse client base (25 per cent)</p>

Municipal World – January 2011

By Robert J. Learmouth

“Canada has a powerful new weapon in its arsenal – public-private partnerships (P3s). In that regard, Canada has become a cutting-edge practitioner...In British Columbia, for example, Partnerships British Columbia (PBC) has been instrumental in advancing P3s...and they have been very successful.”

GOAL 1 – Plan and structure partnership delivery solutions for public infrastructure which are expected to achieve value for money (25 per cent)

PERFORMANCE MEASURE	2011/12 TARGET	2012/13 TARGET	2013/14 TARGET
Effective planning and approval processes which incorporate all relevant learnings	<ul style="list-style-type: none"> • Concept plan and business case milestones achieved • Number of new and repeat clients • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings 	<ul style="list-style-type: none"> • Concept plan and business case milestones achieved • Number of new and repeat clients • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings 	<ul style="list-style-type: none"> • Concept plan and business case milestones achieved • Number of new and repeat clients • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings
Consistent use of recommended methodology for procurement options analysis	<ul style="list-style-type: none"> • Documented use of recommended methodology 	<ul style="list-style-type: none"> • Documented use of recommended methodology 	<ul style="list-style-type: none"> • Documented use of recommended methodology
Achieve anticipated value for money at financial close	<ul style="list-style-type: none"> • Positive Board assessment of value for money at financial close 	<ul style="list-style-type: none"> • Positive Board assessment of value for money at financial close 	<ul style="list-style-type: none"> • Positive Board assessment of value for money at financial close

GOAL 2 – Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development (50 per cent)

PERFORMANCE MEASURE	2011/12 TARGET	2012/13 TARGET	2013/14 TARGET
Conduct efficient procurement processes which incorporate all relevant cross-project learnings	<ul style="list-style-type: none"> • Project procurement milestone of 18 months • Documented use of recommended methodology • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings 	<ul style="list-style-type: none"> • Project procurement milestone of 18 months • Documented use of recommended methodology • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings 	<ul style="list-style-type: none"> • Project procurement milestone of 18 months • Documented use of recommended methodology • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings
Level of competition and ongoing market development	<ul style="list-style-type: none"> • Positive Board assessment of level of competition • Number of new or repeat market participants • Market composition (international/local) 	<ul style="list-style-type: none"> • Positive Board assessment of level of competition • Number of new or repeat market participants • Market composition (international/local) 	<ul style="list-style-type: none"> • Positive Board assessment of level of competition • Number of new or repeat market participants • Market composition (international/local)
<p>Achieve fair and transparent procurement processes</p> <p>Maintain a high level of public disclosure related to procurements, consistent with government policy</p>	<ul style="list-style-type: none"> • Positive market feedback • Fairness advisors used on projects, where applicable • Fairness advisor reports confirm fairness of procurement process • Publish procurement documents and fairness reports on projects, consistent with government policy • Publish a Project Report after final project agreement, where applicable 	<ul style="list-style-type: none"> • Positive market feedback • Fairness advisors used on projects, where applicable • Fairness advisor reports confirm fairness of procurement process • Publish procurement documents and fairness reports on projects, consistent with government policy • Publish a Project Report after final project agreement, where applicable 	<ul style="list-style-type: none"> • Positive market feedback • Fairness advisors used on projects, where applicable • Fairness advisor reports confirm fairness of procurement process • Publish procurement documents and fairness reports on projects, consistent with government policy • Publish a Project Report after final project agreement, where applicable
Achieve successful implementation on projects	<ul style="list-style-type: none"> • Positive client feedback • Private partner feedback • Other performance indicators and evaluation methodology (related to design, construction and operation phases) developed by September 2011 	<ul style="list-style-type: none"> • Positive client feedback • Private partner feedback • Other performance indicators and evaluation methodology (related to design, construction and operation phases) developed by September 2011 	<ul style="list-style-type: none"> • Positive client feedback • Private partner feedback • Other performance indicators and evaluation methodology (related to design, construction and operation phases) developed by September 2011

GOAL 3 – Maintain a self-sustaining organization and provide added value to an increasingly diverse client base (25 per cent)

PERFORMANCE MEASURE	2011/12 TARGET	2012/13 TARGET	2013/14 TARGET
Achieve financial plan	<ul style="list-style-type: none"> • Meet Board approved net income margin • Sufficient equity to support six months of operations • Achieve weighted average utilization rate of 60-70% • Achieve utilization rate (including work under the government services contract) of 85% 	<ul style="list-style-type: none"> • Meet Board approved net income margin • Sufficient equity to support six months of operations • Achieve weighted average utilization rate of 60-70% • Achieve utilization rate (including work under the government services contract) of 85% 	<ul style="list-style-type: none"> • Meet Board approved net income margin • Sufficient equity to support six months of operations • Achieve weighted average utilization rate of 60-70% • Achieve utilization rate (including work under the government services contract) of 85%
Increase diversity of client base	<ul style="list-style-type: none"> • Number of engagements with new clients 	<ul style="list-style-type: none"> • Number of engagements with new clients 	<ul style="list-style-type: none"> • Number of engagements with new clients
Maintain and develop required employee levels and skill sets Maintain a positive professional culture	<ul style="list-style-type: none"> • Comparison of voluntary turnover to industry standards • Achieve a minimum rating of 4 (out of 5) from annual employee satisfaction survey • Provide appropriate professional development opportunities 	<ul style="list-style-type: none"> • Comparison of voluntary turnover to industry standards • Achieve a minimum rating of 4 (out of 5) from annual employee satisfaction survey • Provide appropriate professional development opportunities 	<ul style="list-style-type: none"> • Comparison of voluntary turnover to industry standards • Achieve a minimum rating of 4 (out of 5) from annual employee satisfaction survey • Provide appropriate professional development opportunities
Develop and maintain a positive reputation amongst key stakeholders, decision makers and influencers	<ul style="list-style-type: none"> • Positive reputation for the company amongst key stakeholders • Outreach activity which includes conferences and client or government workshops • External validation (e.g. awards and informed media coverage) 	<ul style="list-style-type: none"> • Positive reputation for the company amongst key stakeholders • Outreach activity which includes conferences and client or government workshops • External validation (e.g. awards and informed media coverage) 	<ul style="list-style-type: none"> • Positive reputation for the company amongst key stakeholders • Outreach activity which includes conferences and client or government workshops • External validation (e.g. awards and informed media coverage)

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 partnership market has been expanding over the last few years, there are no other agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, it is not possible to provide benchmark comparisons with other highly-analogous organizations.

Partnerships BC holds a unique place in the market, acting as both advisor to government and as the gateway to partnership opportunities for the business sector. Qualitative measures reflect the nature of the service

provided and the focus on customer service. 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 the maturity of the partnership market.

Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Company tracked data from a number of sources throughout 2010/11, 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.

The management team 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

Partnerships BC identified a number of risks and implemented mitigation strategies, as outlined below. With an increasing number of projects now under construction and approaching the operational stage, the Company is providing design, construction and operational advisory services to mitigate both project and reputation risks.

As a procurement agency, the most resource-intensive time for the Company is when projects are in the market. Therefore, the timing of project approvals and projects entering procurement continued to have the greatest impact on revenues for the Company.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Scope of Business Focus and Client Base	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.	<ul style="list-style-type: none"> • Expanded potential client market to include other levels of government and other jurisdictions. • Consulted with government agencies to understand their infrastructure needs and identify project opportunities. • Worked with central agencies to ensure timely approval processes. • Diversified the range of partnership procurement models to better meet client needs. • Ensured that Partnerships BC's fee structure reflects a value for money proposition for clients. • Expanded services provided in planning/procurement/post-financial close.
Public Private Partnership Policy Environment	The policy environment continues to evolve (e.g. Capital Standard, Wood First Act).	<ul style="list-style-type: none"> • Worked with the Province to ensure the policy environment is compatible with partnership projects. • Worked with clients to ensure partnership projects are compatible with the Province's policy objectives.
Project Risks	Partnerships BC may experience problems or changes in the procurement, construction or operations phase of a partnership project.	<ul style="list-style-type: none"> • Participated on Project Boards for partnership projects. • Applied best practices in procurement: <ul style="list-style-type: none"> • Costing • Affordability • Evaluation • Governance • Developed and applied best practices in the post-financial close phase: <ul style="list-style-type: none"> • Provided advisory services during design and construction. • Provided advisory services during operations.
Public Private Partnership Market Size and Capacity	Partnership markets are continuing to grow, both internationally and within B.C. The Company may face challenges related to: <ul style="list-style-type: none"> • Growth of partnership markets in competing jurisdictions, • General private sector interest in public private partnerships worldwide, • Development of public private partnership capacity within B.C., • Capacity and inflationary pressures in the construction sector in B.C., and • Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver. 	<ul style="list-style-type: none"> • Continued to develop relationships with partnership stakeholders and business partners. • Continued to develop consistent approaches to procurement to reduce transaction and bid costs to maintain an attractive partnership market in B.C. • Continued to share information with other provincial jurisdictions to broaden the Canadian partnership market and attract private sector participants. • Communicated with international partnership organizations to build on their experience. • Ensured rigorous project budgeting to address project risks such as construction cost escalation. • Assessed market interest in advance of project implementation to ensure the presence of a viable market. • Involved the academic community to analyze the B.C. project experience to further develop best practices.
High Interest Rates	Lending rates are currently high by historical standards and projections are highly uncertain. The challenges include: <ul style="list-style-type: none"> • Availability of capital for infrastructure projects, • Cost of capital, and • Fixed financial terms during the proposal evaluation and negotiation phase. 	<ul style="list-style-type: none"> • Remained highly informed on financial market conditions. • Assessed risk transfer in the areas of refinancing timing and benefit sharing. • Optimized the use of private capital with public funding so as to achieve risk transfer at minimal financing cost.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Reputation Risk	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 partnership market is directly tied to the reputation of the Company and the demonstrable success of its projects.	<ul style="list-style-type: none"> • Ensured a high level of disclosure and transparency. • Developed and implemented communications strategies for partnership projects. • Developed and implemented a proactive corporate stakeholder relations and communications strategy. • Applied communications best practices to all phases of projects. • Provided advisory services during the design, construction and operations phases of projects.
Internal Experience and Capacity	Partnerships BC needs to balance service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.	<ul style="list-style-type: none"> • 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 to leverage experience. • 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. • Benchmark human resource strategies against comparable public and private sector organizations.
Management and Operational Risks	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.	<ul style="list-style-type: none"> • Updated and improved management and financial information systems and related processes. • Addressed business disruption issues with the effective deployment of business continuity plans. • Worked to improve server performance and the implementation and management of back-up systems. • Addressed information systems related risks.

August 4, 2010, News Release

“Under the leadership of Rick Mahler and Larry Blain, Partnerships BC has evolved to become a centre of expertise in British Columbia which is recognized internationally for innovation in the procurement of performance-based infrastructure.”

–Minister of Finance Colin Hansen

Progress Against Shareholder's Letter of Expectations

The Company's three corporate goals are aligned to meet the direction from our Shareholder, the Minister of Finance. Below are the specific directions outlined in the January 2010 Shareholder's Letter of Expectations and Partnerships BC's actions in 2010/11.

SPECIFIC DIRECTION TO THE COMPANY		PARTNERSHIPS BC ACTIONS IN 2010/11
<ul style="list-style-type: none"> Assist the Province of British Columbia in meeting its infrastructure needs by providing innovation, leadership and expertise in public procurement. 		<ul style="list-style-type: none"> Concluded 12 procurements and issued three Requests for Proposals for transportation, health care and corrections projects The Royal Jubilee Hospital Patient Care Centre became operational providing much needed health care infrastructure in Victoria
<ul style="list-style-type: none"> Support the Province in tackling the challenges of global warming and meeting its goal to lead the world in sustainable environment management by working together with provincial agencies and private sector partners to promote environmentally sensitive infrastructure development. 		<ul style="list-style-type: none"> Worked with clients to plan for, design and construct high-value physical infrastructure that is consistent with the Province's high-performance building policy and LEED® Gold certification
<ul style="list-style-type: none"> Pursue public private partnership 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. 		<ul style="list-style-type: none"> Made recommendations to government about the suitability of the partnership delivery model for infrastructure projects Worked with a variety of public sector clients to prepare business plans Worked with PPP Canada to identify opportunities to leverage funding
<ul style="list-style-type: none"> Provide expert services to the Provincial government and its agencies in the procurement of public private partnership projects—services ranging from advice to business transactions and procurement management, to overall project management of public private partnership projects. 		<ul style="list-style-type: none"> Engaged by a variety of public sector agencies to assist with business planning, procurement options assessment reviews, procurement manager/advisory services and post-financial close advisory services Provided additional support to clients during the construction and operations phase of projects Company participation on 23 project boards
<ul style="list-style-type: none"> Assist the Province in the application of the Capital Standard that requires public private partnerships to be the base case where the Province will be contributing more than \$50 million to the capital cost of the project. 		<ul style="list-style-type: none"> Direct involvement in all active partnership projects Performed early project screens and procurement options assessment reviews for clients
<ul style="list-style-type: none"> Continue to improve the efficiency and quality of delivery of public private partnership transactions. 		<ul style="list-style-type: none"> Updated procurement and guidance documents to reflect feedback from project teams and the partnership market All partnership projects using standard procurement documents and implementing Partnerships BC's best practices One project performed better than the 18-month procurement benchmark for DBFMs Cross-project meetings facilitated the continuous sharing of best practices
<ul style="list-style-type: none"> Continue to demonstrate transparent and competitive processes. 		<ul style="list-style-type: none"> Fairness advisors and conflict of interest adjudicators retained for projects throughout the competitive selection process Procurement documentation is publicly available Project reports are publicly available and summarize the results of the competitive selection process
<ul style="list-style-type: none"> Grow the public private partnership market in British Columbia, building a centre of expertise and excellence that will be recognized for innovation and performance. 		<ul style="list-style-type: none"> Positive local, national and international validation for both the Company and partnership projects Projects continue to attract local, national and international teams Received four awards of recognition for partnership projects Chair of the Board, Larry Blain, received Champion Award at national PPP conference
<ul style="list-style-type: none"> Remain commercially viable on an ongoing basis by ensuring that Partnerships BC's revenues meet or exceed expenses 		<ul style="list-style-type: none"> Exceeded Shareholder's financial plan target

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2010/11
<ul style="list-style-type: none"> Identify annual targets for the agency's productivity measures and targets, where appropriate. 	<ul style="list-style-type: none"> Average annual utilization rate for projects: 68% Average annual utilization rate for projects and government services contract: 91% Average revenue per professional staff: \$284,000 Annual administrative expense ratio: 24%
<ul style="list-style-type: none"> Provide policy advice to the Shareholder on alternative procurement, public private partnerships and capital asset management when required. 	<ul style="list-style-type: none"> All partnership projects using standard procurement documents and implementing Partnerships BC's best practices Provided procurement advisory and management services for clients with projects that include a range of procurement delivery models
<ul style="list-style-type: none"> Help make policy recommendations to Treasury Board concerning the agency's affordability best practices and temporary credit measures and comply with any related approval conditions. Partnerships BC must also work with Ministry of Finance to ensure that these best practices are aligned with the Capital Asset Management Framework (CAMF), which is currently being revised. 	<ul style="list-style-type: none"> Core best practice related to affordability implemented on current projects
<ul style="list-style-type: none"> Review government's capital needs and identify any opportunities for Partnerships BC to expand its role in the planning and management of those capital projects that: <ul style="list-style-type: none"> Use PPP and other procurement methods; and Seek to meet government's energy needs in a more effective and efficient manner. 	<ul style="list-style-type: none"> Expanded role in planning, procurement and implementation of capital projects which use a combination of partnership and other procurement models Engaged with BC Hydro on a variety of energy projects that contribute to the Province's conservation and energy self-sufficiency goals Engaged with the Climate Action Secretariat to explore opportunities for encouraging building retrofits to achieve greater energy efficiency

November 25, 2010, News Release

"This [South Fraser Perimeter Road] project is another example of how P3s save the taxpayers millions of dollars and transfer risk. P3s continue to help us make sure we get the best value for every single tax dollar we invest in transportation infrastructure projects in British Columbia."

–Transportation and Infrastructure Minister, Shirley Bond

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 is governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's vision is to be a recognized leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited 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; however, for the fiscal year commencing April 1, 2011, the Company, as an "other government organization" (OGO) will have to change the accounting framework that it reports under. The Company will adopt the Canadian Public Sector Accounting Board (PSAB) standards with restatement of comparative figures. The change to public sector accounting standards will result in different financial measurement, format of financial statements, and financial disclosure as these standards are based on different principles and concepts.

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 in 2010/11

1. Projects which reached financial close

During the year, the following projects reached a final project agreement:

- South Fraser Perimeter Road Project
- Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower
- Clinical Support Building for Children's and Women's Hospital
- Clinical Support Building for Kelowna General Hospital
- Smartcard and Faregate Project
- Modular Classroom Project
- Four projects under the Smart Metering Program
- RCMP E Division HQ Relocation Project
- CSEC Long-Term Accommodation Project

2. Projects in the market

In addition, during the year, the following projects entered the market:

- Evergreen Line Rapid Transit Project
- Surrey Pretrial Services Centre Expansion Project
- Interior Heart and Surgical Centre Project

3. Expanded Post Financial Close Business

Subsequent to financial close, the Company entered into post-financial close arrangements on the following projects:

- RCMP E Division HQ Relocation Project
- Surrey Pretrial Services Centre Expansion Project

4. Exceeded financial plan target—revenue either meets or exceeds expenses

Partnerships BC's net income was \$221,464 for the year ended March 31, 2011.

5. Strong balance sheet

Partnerships BC's unrestricted cash and cash equivalents increased to \$11,529,079 in 2010/11 compared to \$10,814,019 in 2009/10.

6. Successful transition to new President and CEO

Ms. Sarah Clark replaced Mr. Larry Blain as the Company's new President and CEO effective October 7, 2010.

Ms. Clark served as Vice President, Projects Development and Delivery for Partnerships BC for three years and was responsible for management of projects, development of new partnership structures and opportunities, and management of client relations.

Ms. Clark has extensive project management experience in both private and public sectors. She has participated on procurement teams for some of the largest public private partnership projects in British Columbia.

Mr. Blain who has been the Company's President and CEO since January 2003, was appointed Chair of the Board replacing Mr. Rick Mahler, whose appointment as Board Chair expired in October 2010.

In order to ensure a successful transition, the Board of Directors appointed Mr. Gordon Steele as Lead Director in October 2010.

7. Achievements and awards

The following projects received awards during the year:

- Canada Line Rapid Transit Project – two awards
- Royal Jubilee Hospital Patient Care Centre Project
- South Fraser Perimeter Road Project

The Company was awarded the top-ranked company in the *BC Business Best Companies to Work for* in British Columbia in the Public Sector, Crowns and Non-Profit category.

Annual Financial Performance

Comparison of 2010/11 and 2009/10 Financial Performances

Fiscal 2010/11 marked the first year that Partnerships British Columbia Inc's (Partnerships BC or the Company) business model was based solely on revenues from work fees.

Work fee revenues from 15 projects which either reached a final project agreement or are presently in procurement contributed to an increase in revenues for 2010/11. This was a reflection of the strong second half of 2009/10 continuing into 2010/11. The Company had revenues of \$8,535,014 in 2010/11 compared to \$7,973,268 in 2009/10, an increase of seven per cent. As a result, net income for 2010/11 was \$221,464 compared to \$36,822 in 2009/10.

In 2009/10, there were two projects—the Fort St. John Hospital and Residential Care Project and the BC Cancer Agency Centre for the North Project—which reached a final project agreement compared with 12 projects reaching a final project agreement in 2010/11. In addition to the above, Partnerships BC also generated work fees from the following projects in the planning stage: North Island Hospitals, John Hart Generating Station Project, Site C Project and advisory services during design, construction and operations for Fort St. John Hospital and Residential Care Project, the BC Cancer Agency Centre for the North Project and the Royal Jubilee Hospital Patient Care Centre.

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)	
	2011	2010	2011	2010
Revenues	\$ 8,535,014	\$ 7,973,268	100.0%	100.0%
Project recoveries	4,286,974	4,628,114	50.2%	58.0%
Project expenses	4,286,974	4,628,114	50.2%	58.0%
Salaries and benefits	6,288,920	6,044,720	73.7%	75.8%
General and administrative expenses	1,883,497	1,719,568	22.0%	21.5%
Amortization	141,133	172,158	1.7%	2.2%
Net income for the year	\$ 221,464	\$ 36,822	2.6%	0.5%

Revenues

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

			(% of revenues)	
	2011	2010	2011	2010
Work fees	\$ 8,404,771	\$ 6,651,963	98%	83%
Provincial government revenue	-	1,230,000	0%	16%
Other revenue	130,243	91,305	2%	1%
	\$ 8,535,014	\$ 7,973,268	100%	100%

Gross revenues for the year ended March 31, 2011 were \$8,535,014 of which \$8,404,771 was from work fees and \$130,243 from other revenue. In comparison, gross revenues for the year ended March 31, 2010 were \$7,973,268 of which \$6,651,963 was from work fees, \$1,230,000 from the government services contract and \$91,305 from other revenue.

Partnerships BC's work fees increased by \$1,752,808 as a result of significant work on the 12 projects which reached a final project agreement. It was also the result of a fee increase, the first increase since hourly fees were introduced in fiscal 2004/05. The fee increase was based on the requirement under the Shareholder's Letter of Expectations to continue to provide a range of services such as: helping agencies identify and assess public private partnership project opportunities, developing provincial public private partnership policies and best practices, and providing other advisory and consulting services directly to the Province and/or clients. The revenue for these services was discontinued under the government services contract, effective January 1, 2010 and thus, led to a decrease of \$1,230,000 in provincial government revenues.

Partnerships BC continued to provide value to clients while effectively and efficiently managing their procurement processes. Even though a formal client satisfaction survey was not conducted in 2010/11, the Company received positive anecdotal evidence that it is providing value to its clients and Shareholder.

Going forward, Partnerships BC's 2011/12 Service Plan anticipates that the Company will meet its revenue growth target while employing approximately 42 full-time equivalent (FTEs) employees and contractors without any increases in hourly charge-out rates. Similar to 2010/11, revenue growth for 2011/12 will be based entirely on work fees and other sources.

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

	2011	2010	Change	%
Work fees	\$ 8,404,771	\$ 6,651,963	\$ 1,752,808	26.4%
Provincial government revenue	-	1,230,000	(1,230,000)	-100.0%
Other revenue	130,243	91,305	38,938	42.6%
	<u>\$ 8,535,014</u>	<u>\$ 7,973,268</u>	<u>\$ 561,746</u>	<u>7.0%</u>

Work Fees

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

Work fees were recognized from a number of provincial government ministries, Crown corporations and non-ministry sources. In 2010/11, 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 Crown Corporations,
- British Columbia Vocational Institutes,
- Other Provincial Governments, and
- Government of Canada.

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

	2011	2010	(% of revenues)	
			2011	2010
Ministry of Health Services and Provincial Health Authorities	\$ 1,908,576	\$ 2,205,279	22.7%	33.2%
Ministry of Transportation and Infrastructure	1,919,946	1,475,085	22.8%	22.2%
Ministry of Labour and Citizens' Services	665,465	472,888	7.9%	7.1%
Ministry of Education	520,763	314,745	6.2%	4.7%
British Columbia Crown Corporations	1,731,669	462,895	20.6%	7.0%
British Columbia Vocational Institutes	98,741	301,180	1.2%	4.5%
Other Provincial Governments	36,876	215,305	0.5%	3.2%
Government of Canada	657,037	706,284	7.8%	10.6%
Others	865,698	498,302	10.3%	7.5%
	<u>\$ 8,404,771</u>	<u>\$ 6,651,963</u>	<u>100.0%</u>	<u>100.0%</u>

Provincial Government Services

Under the terms of the previous government services contract, the Province provided the Company with an annual payment for a variety of services related to the development of policy and practices, communications strategy and the partnership market.

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

The original government services contract, which expired on March 31, 2008, was renewed and will expire on March 31, 2013. Under the provisions of the new agreement, the Company will continue to provide the services described above at no cost to the Province and the term will be automatically renewed for successive periods of one year unless either party gives at least 90 days prior written notice of non-renewal to the other. However, 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.

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, 2011, project recoveries were \$4,286,974 compared to \$4,628,114 for the year ended March 31, 2010. The decrease in project recoveries can be due to a number of factors, including the number of projects that were: in procurement, that reached a final project agreement and that entered the market during the year; however, given the 2010/11 increase in the number of projects that were in procurement and that reached a final project agreement, the decrease in project recoveries was due to efficiencies gained from having completed 35 projects over the last eight years. The decrease was also due to the internal development and updating of guidance documents and best practices which reduced external advisors' procurement costs on the projects.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2011, other revenue was \$130,243 compared to \$91,305 for the year ended March 31, 2010. The increase was due to the increase 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 2010/11.

	2011 Actual	2011 Budget	Change	%
Work fees	\$ 8,404,771	\$ 8,654,532	\$ (249,761)	-2.9%
Other revenue	130,243	71,000	59,243	83.4%
	<u>\$ 8,535,014</u>	<u>\$ 8,725,532</u>	<u>\$ (190,518)</u>	<u>-2.2%</u>

For the year ended March 31, 2011, gross revenues were 2.2 per cent below budget. Work fee revenue is a function of the number of professional staff and their corresponding utilization rates. For the year ended March 31, 2011, the Company's utilization rate was 68 per cent for projects (excluding work performed under the government services contract). The budgeted utilization rate for projects for 2010/11 was 66 per cent. Even though the utilization rate on projects exceeded the budget, the billable hours were met with approximately 37 Full Time Equivalent (FTE) employees compared to a budget of 39.80 FTEs. This meant that the Company met its financial goal targets with fewer FTEs.

The reduced number of FTEs contributed to a reduction in Partnerships BC's total expenses. Compensation costs and administration costs were six 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 2010/11 and 2009/10.

	2011	2010	Change	%
Salaries and benefits	\$ 6,288,920	\$ 6,044,720	\$ 244,200	4.0%
General and Administrative Expenses				
Administration	361,054	331,406	29,648	8.9%
Building occupancy	597,816	566,361	31,455	5.6%
Communications	33,647	6,376	27,271	427.7%
Information systems	239,080	269,840	(30,760)	-11.4%
Professional services	460,488	391,769	68,719	17.5%
Travel	191,412	153,816	37,596	24.4%
Amortization	141,133	172,158	(31,025)	-18.0%
	\$ 2,024,630	\$ 1,891,726	\$ 132,904	7.0%
Total Operating Expenses	\$ 8,313,550	\$ 7,936,446	\$ 377,104	4.8%
% of expenses over revenues	97.4%	99.5%		
% of general and administrative expenses over revenues	23.7%	23.7%		

For the year ended March 31, 2011, there was an increase in operating expenses of \$132,904 or seven per cent compared to last year. The increase was primarily attributable to the following:

- Administration
- Building occupancy
- Communications
- Professional fees
- Travel

The increase in administration costs of \$29,648 was primarily attributable to an allowance provided for a doubtful account of \$29,795. Excluding this allowance for the doubtful account, administration costs for 2010/11 would be in line with 2009/10.

The increase in building occupancy costs was attributable to an increase in the Vancouver office base rent to \$25 per square foot effective October 31, 2009. This increase together with increases in the Vancouver and Victoria office buildings' annual operating costs contributed to an increase of \$31,455 in building occupancy costs.

The increase in communications costs of \$27,271 was attributable to the completion of projects which were carried forward from 2009/10.

The increase in professional fees of \$68,719 was also due to the completion of specific initiatives which were carried forward from 2009/10. These initiatives included the completion of the Company's executive and staff compensation review, and the 360 feedback and review

process undertaken for staff. In addition, the Company also incurred one-time costs as a result of the transition to a new President and CEO. This included an executive search process for a new Vice President, Projects which was completed in Q4 of 2010/11.

The Company's executive and staff compensation review is normally scheduled to be completed once every two years by an external consultant; however, given the poor economic climate of 2009/10, it was determined that a review of compensation would not result in a material change. As a result, the review was carried forward to 2010/11. 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 and therefore, decided to conduct an executive and staff compensation review in 2010/11. Presently, Partnerships BC is bound by the provincial mandated compensation guidelines for its President and CEO, and staff. Any changes to these guidelines will require approval from the government organization responsible for overseeing compensation for provincial government ministries, Crown corporations and other provincial organizations.

Travel costs were \$191,412 in 2010/11 compared to \$153,816 in 2009/10 resulting in an increase of \$37,596. The Company has a travel policy which requires all travel to be either for business development or recoverable from projects or from conferences and failing that, to be pre-approved by senior management. In addition, 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. Even though these policies were strictly adhered to, there was an increase in travel costs as a result of carrier fuel surcharges and increases in fares.

Information systems costs were \$239,080 in 2010/11 compared to \$269,840 in 2009/10. The decrease was attributable to a reclassification of software licensing costs from capital assets to information system costs in 2009/10.

Salaries and benefits expenses (which included consultants and three employees who were on maternity leave) were \$6,288,920 in 2010/11 compared to \$6,044,720 in 2009/10. Even though there was an increase in salaries and benefits of \$244,200, overall, there was a decrease of \$399,071 in comparison to the budget. The increase in salaries and benefits was primarily attributable to the use of consultants in 2010/11 to resource short-term projects. This is in line with the Company's human resources strategy to contract with consultants on short-term projects and also prior to hiring them as full-time employees. There were no significant changes to salaries and benefits for employees in 2010/11 when compared to 2009/10.

Comparison to Budget

The table below provides details of the Company's actual and budgeted expenses for 2010/11.

	2011 Actual	2011 Budget	Change	%
Salaries and benefits	\$ 6,288,920	\$ 6,687,991	\$ (399,071)	-6.0%
General and Administrative Expenses				
Administration	361,054	334,250	26,804	8.0%
Building occupancy	597,816	585,584	12,232	2.1%
Communications	33,647	73,390	(39,743)	-54.2%
Information systems	239,080	247,000	(7,920)	-3.2%
Professional services	460,488	442,500	17,988	4.1%
Travel	191,412	169,000	22,412	13.3%
Amortization	141,133	185,178	(44,045)	-23.8%
	\$ 2,024,630	\$ 2,036,902	\$ (12,272)	-0.6%
Total Operating Expenses	\$ 8,313,550	\$ 8,724,893	\$ (411,343)	-4.7%
% of expenses over revenues	97.4%	100.0%		
% of general and administrative expenses over revenues	23.7%	23.3%		

Salaries and benefits for the year ended March 31, 2011 were under budget by \$399,071. The Company had budgeted for a full complement of employees and consultants, which included new hires for vacant and maternity positions and timely replacement of employees who left or retired from Partnerships BC. Although the budget was for 39.80 FTEs, Partnerships BC had 37.39 FTEs in 2010/11. This balance does not include three employees who were on maternity leave in 2010/11. The Company did not fully replace all its departed employees; instead, the Company promoted from within and contracted with individuals who were Project Directors and Senior Consultants with public private partnership and project management experience to provide short-term project resources.

Total general and administration costs for the year ended March 31, 2011 were under budget by \$12,272. This was largely due to the reduced communications, information systems and amortization expenses during the year.

Communications expenses for the year ended March 31, 2011 were under budget by \$39,743 as the Company did not completely use its communications consultants' budget, as there were sufficient internal resources to complete the required communications initiatives in 2010/11.

Information systems for the year ended March 31, 2011 were under budget by \$7,920 as the Company renewed its existing network and helpdesk agreement at a lower rate. This was due to the efficiencies gained from having worked with the same service provider for more than three years. In addition, the Company experienced a reduced number of trouble tickets as a result of significant improvements made to the Company's network infrastructure.

Administration costs for the year ended March 31, 2011 were over budget by \$26,804 primarily due to the provision of an allowance for a doubtful account totalling \$29,795.

Travel expenses for the year ended March 31, 2011 were over budget by \$22,412 mainly due to the increased participation at pan-Canadian and market events. It was also due to increases in airfares. During the year, the Company continued to implement its travel policy which requires all travel to be either for business development or recoverable from projects or from conferences and failing that, to be pre-approved by senior management. In addition, 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.

Total expenses for the year ended March 31, 2011 as a percentage of revenues were 97.4 per cent compared to budget of 100 per cent. General and administrative expenses for the year ended March 31, 2011 as a percentage of revenues were in line with budget expectations, 23.7 per cent versus 23.3 per cent.

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.

	2011	2010	Change	%
Cash and cash equivalents	\$ 11,529,079	\$ 10,814,019	\$ 715,060	6.6%
Accounts receivable	3,036,616	2,907,116	129,500	4.5%
Other assets	391,591	328,574	63,017	19.2%
Total assets	14,957,286	14,049,709	907,577	6.5%
Accounts payable and accrued liabilities	2,464,688	1,778,575	686,113	38.6%
Total liabilities	2,464,688	1,778,575	686,113	38.6%
Total Shareholder's Equity	\$ 12,492,598	\$ 12,271,134	\$ 221,464	1.8%

Cash and cash equivalents increased by \$715,060 from \$10,814,019 as at March 31, 2010 to \$11,529,079 as at March 31, 2011. The breakdown in cash and cash equivalents as at March 31, 2011 was as follows: \$7,478,294 in cash and \$4,050,785 in short-term investments. In comparison, the breakdown of cash and cash equivalents as at March 31, 2010 was as follows: \$6,800,002 in cash and \$4,014,017 in short-term investments. The increase in cash was due to operations during the year and improved working capital (collection of accounts receivable net of payments for accounts payable and accrued liabilities). The Company's cash and cash equivalents are invested and managed in accordance with the Company's Board-approved investment policies and procedures. In addition, the Company regularly discusses its cash and cash equivalents balance and how to strategically use the funds with its Shareholder, the Minister of Finance.

Accounts receivable increased by \$129,500 from \$2,907,116 as at March 31, 2010 to \$3,036,616 as at March 31, 2011. Even though there was an increase in accounts receivable, current accounts receivable represented 94 per cent of the balance at year-end. In addition, the weighted average number of days outstanding was 12 days which contributed to the increase in cash and cash equivalents at year-end. This exceeded the Company's requirement to meet its 40-day benchmark for the weighted average number of days outstanding.

There were no significant changes to other current assets. Amortization expense was \$141,133, net of \$207,659 in capital asset additions, which was under budget in comparison to the Company's approved capital expenditures budget.

Liabilities and shareholder's equity

Accounts payable and accrued liabilities increased by \$686,113 from \$1,778,575 as at March 31, 2010 to \$2,464,688 as at March 31, 2011. The increase in accounts payable and accrued liabilities directly corresponds to the increase in accounts receivable as a result of year-end accruals for project recoveries.

The increase in Shareholder's equity was attributable to the net income of \$221,464 for the year.

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.

	2011	2010	Change
Cash and cash equivalents, beginning of year	\$ 10,814,019	\$ 10,375,360	\$ 438,659
Cash provided by (used by):			
Operating activities	922,719	480,306	442,413
Investing activities	(207,659)	(41,647)	(166,012)
Financing activities	-	-	-
Cash and cash equivalents, end of year	<u>\$ 11,529,079</u>	<u>\$ 10,814,019</u>	<u>\$ 715,060</u>

Cash flow from operating activities

Cash flow from operating activities was \$922,719 in 2010/11 in comparison to \$480,306 in 2009/10, an increase of \$422,413. The increase was attributable to a net income of \$221,464 in 2010/11 and positive changes to working capital items.

Cash flow from investing activities

Cash used in investing activities was \$207,659 in 2010/11 in comparison to \$41,647 in 2009/10 which resulted in an increase of \$166,012. During the year, the Company implemented its capital hardware evergreen initiatives by replacing its aging desktops and laptops with new systems which have Microsoft's Windows 7 operating system and Microsoft's 2007 Suite of Office products. In addition, the Company implemented a Unified Communication System which integrated its telephone and video conference systems with other communication devices to deliver real-time communications through a single user interface. This system should help the organization communicate more effectively by integrating its communication systems and collaborating with the right resource on the first attempt. Going forward, the Company has budgeted to complete its evergreen initiatives which include replacing its remaining desktops and laptops in 2011/12.

Cash flow from financing activities

There were no financing activities in 2010/11.

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.

	2011	2010	Change
Cash and cash equivalents	\$ 11,529,079	\$ 10,814,019	\$ 715,060
Accounts receivable	3,036,616	2,907,116	129,500
Other current assets	67,056	70,565	(3,509)
	<u>14,632,751</u>	<u>13,791,700</u>	<u>841,051</u>
Accounts payable and accrued liabilities	2,464,688	1,778,575	686,113
Net working capital	<u>\$ 12,168,063</u>	<u>\$ 12,013,125</u>	<u>\$ 154,938</u>

As at March 31, 2011, the Company's principal sources of liquidity include cash and cash equivalents of \$11,529,079 and accounts receivable of \$3,036,616. The Company also has \$2,464,688 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
2012	567,749
2013	469,396
2014	399,144
2015	232,834
	<u>\$ 1,669,123</u>

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2012 respectively.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2011, 2010, 2009, 2008 and 2007.

	2011	2010	2009	2008	2007
			(Note 1)	(Note 1)	(Note 1)
Total revenues	\$ 8,535,014	\$ 7,973,268	\$ 10,152,841	\$ 9,176,581	\$ 8,182,737
Total operating expenses	\$ 8,313,550	\$ 7,936,446	\$ 8,076,257	\$ 7,900,378	\$ 7,576,805
Net income	\$ 221,464	\$ 36,822	\$ 2,076,584	\$ 1,276,203	\$ 605,932
Total current assets	\$ 14,632,751	\$ 13,791,700	\$ 14,140,855	\$ 66,084,371	\$ 113,900,850
Total assets	\$ 14,957,286	\$ 14,049,709	\$ 14,529,375	\$ 480,876,808	\$ 353,463,019
Total current liabilities	\$ 2,464,688	\$ 1,778,575	\$ 2,295,063	\$ 3,288,165	\$ 2,800,576
Total liabilities	\$ 2,464,688	\$ 1,778,575	\$ 2,295,063	\$ 468,150,980	\$ 342,013,394

Note 1: The financial statements for fiscal 2007 and 2008 include the financial statements for Abbotsford Regional Hospital and Cancer Centre (ARHCC). 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.

Outlook for Fiscal 2011/12

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 2011/12, Partnerships BC will continue to evaluate, structure and implement partnership delivery solutions for public infrastructure which achieve value for money. In addition, with the transition to a new President and CEO and current changes within provincial government ministries, the Company will be conducting extensive outreach activities with its current and potential clients, its Shareholder and other stakeholders.

Projects expected to enter the market in the energy, health, transportation, and accommodation sectors, together with new and existing clients which include other provincial governments and the Government of Canada, should enable Partnerships BC to meet its revenue growth and net income margin targets as outlined in its 2011/12 to 2013/14 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbcc.ca.

Forecast for Fiscal 2011/12 to 2013/14

The following table presents the forecast for fiscal years 2011/12 to 2013/14 as outlined in Partnerships BC's current Service Plan.

	2012	2013	2014
Revenue			
Fees for Service	\$ 8,994,160	\$ 9,263,985	\$ 9,542,804
Other Revenue	41,000	81,030	81,061
Total Revenue	9,035,160	9,345,015	9,623,865
Expenditures			
Salaries and Benefits	6,969,071	7,178,143	7,393,487
Professional Services	470,000	484,100	498,623
Administration	1,344,314	1,396,535	1,438,505
Corporate Relations	38,240	39,387	40,569
Amortization	192,931	228,409	225,248
Total Expenditures	9,014,556	9,326,574	9,596,432
Project Recoveries	3,364,000	5,200,000	5,400,000
Project Recoverable Expenses	(3,364,000)	(5,200,000)	(5,400,000)
	–	–	–
Net Income	\$ 20,604	\$ 18,441	\$ 27,433

Management Report

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

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

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

BDO Canada LLP has performed an independent audit of the financial statements of Partnerships British Columbia Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on the statements of Partnerships British Columbia Inc.



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President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
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Partnerships British Columbia Inc.



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Independent Auditor's Report

To the Board of Directors and Shareholder of Partnerships British Columbia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Vancouver, British Columbia

June 2, 2011

PARTNERSHIPS BRITISH COLUMBIA INC.

Balance Sheets as at March 31

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

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

APPROVED ON BEHALF OF THE BOARD


 L.A. Blain, Chair



 S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Balance Sheets as at March 31

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

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

PARTNERSHIPS BRITISH COLUMBIA INC.

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

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

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

Statements of Cash Flows for the Years Ended March 31

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

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

Notes to Financial Statements

For the Years Ended March 31, 2011 and 2010

1. Nature of Business

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's vision is to be a recognised leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

The Company's core business is to:

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

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

2. Summary of Significant Accounting Policies

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

Short-Term Investments

Short-term investments are comprised of highly liquid investments such as the Province of British Columbia Pooled Investment Portfolios, term deposits, money

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

Property and Equipment

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

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

Impairment of Long-Lived Assets

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

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

Income Taxes

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

Revenue Recognition

Project Recoveries

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

2. Summary of Significant Accounting Policies (continued)

Fees for Services

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

Accounting Estimates

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

Comprehensive Income and Equity

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

Financial Instruments

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

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

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The classification depends on the purpose for which the financial instruments were

acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial instruments be classified as either held-for-trading, available for sale, held-to-maturity, loans and receivables or as other financial liabilities.

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

FINANCIAL ASSET/LIABILITY	CATEGORY	MEASUREMENT
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

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

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

New Accounting and Regulatory Pronouncements

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

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Property and Equipment

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

5. Contributed Surplus

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

6. Project Expenses

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

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

7. Commitments

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

Year	Amount
2012	\$ 567,749
2013	469,396
2014	399,144
2015	232,834
	<u>\$ 1,669,123</u>

8. Employee Benefit Plan

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

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

The next valuation will be as at March 31, 2011, with results available in early 2012. The actuary does not attribute portions of the surplus to individual employers. The employees of Partnerships BC contributed \$306,218 (2010 - \$317,377) while Partnerships BC paid \$343,425 (2010 - \$354,428) in employer contributions to the Plan in fiscal 2011.

9. Related Parties

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

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value. In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at market rates and credit terms.

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

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

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

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

10. Financial Instruments

a. Fair value of financial instruments

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

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

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

b. Financial management risk objectives and policies

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

c. General objectives, policies and processes

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

d. Credit risk

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

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

10. Financial Instruments (continued)

e. Liquidity risk

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

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

f. Market risk

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

i. Interest rate risk

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

ii. Other price risk

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

As at March 31, 2011, the Company's total exposure to market risk is \$4,050,785. The Company's best estimate of the effect on net assets as at March 31, 2011, due to a 5% increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of \$202,540 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

g. Sensitivity analysis

The sensitivity analysis included in Note 10 (f) should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

11. Capital Management

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

Management reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of the Company is reasonable. There were no changes to the Company's approach to capital management during the year ended March 31, 2011. The Company is not subject to any externally imposed capital requirements.

Projects >

IN PROCUREMENT:

- Evergreen Rapid Transit Line Project
- Interior Heart and Surgical Centre Project
- Surrey Pretrial Services Centre Expansion Project

UNDER CONSTRUCTION:

- BC Cancer Agency Centre for the North Project
- Fort St. John Hospital and Residential Care Project
- Jim Pattison Outpatient Care and Surgery Centre Project
- Kelowna Vernon Hospitals Project
- Modular Classroom Project
- Port Mann/Highway 1 Improvement Project
- Smart Metering Project
- South Fraser Perimeter Road Project
- Surrey Memorial Hospital Redevelopment Expansion: Emergency Department and Critical Care Tower

OPERATIONAL:

- Abbotsford Regional Hospital and Cancer Centre
- Britannia Mine Water Treatment Plant
- Canada Line
- Charles Jago Northern Sport Centre
- Golden Ears Bridge
- Gordon and Leslie Diamond Health Care Centre
- Kicking Horse Canyon — Phase 2
- Pitt River Bridge and Mary Hill Interchange
- Residential Care and Assisted Living Capacity (Vancouver Island Health Authority)
- Royal Jubilee Hospital Patient Care Centre
- Sea-to-Sky Highway
- Sierra Yoyo Desan Resource Road
- William R. Bennett Bridge

