

Audited Financial Statements of

**THE GREATER VICTORIA
HARBOUR AUTHORITY**

Year ended March 31, 2005



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AUDITORS' REPORT

To the Members of The Greater Victoria Harbour Authority

We have audited the statement of financial position of The Greater Victoria Harbour Authority (the "Authority") as at March 31, 2005 and the statement of operations and changes in unrestricted net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required under the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Victoria, Canada

June 3, 2005

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 131,015	\$ 186,086
Guaranteed investment certificates (note 2)	7,733,000	9,947,000
Accounts receivable	338,791	114,111
Accrued interest receivable	123,966	81,696
Prepaid expenses	2,047	648
	<u>8,328,819</u>	<u>10,329,541</u>
Long-term receivable	137,500	-
Guaranteed investment certificates (note 2)	2,610,000	-
Capital assets (note 3)	51,410,875	52,054,098
	<u>\$ 62,487,194</u>	<u>\$ 62,383,639</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 612,673	\$ 450,802
Deferred revenue	58,136	62,683
	<u>670,809</u>	<u>513,485</u>
Deferred contributions (note 4)	4,724,946	5,746,377
Deferred capital contributions (note 5)	30,905,854	31,902,659
Net assets:		
Invested in capital assets	20,505,021	20,151,439
Internally restricted (note 6)	456,000	288,000
Unrestricted	5,224,564	3,781,679
	<u>26,185,585</u>	<u>24,221,118</u>
Commitments and contingencies (note 8)		
	<u>\$ 62,487,194</u>	<u>\$ 62,383,639</u>

See accompanying notes to financial statements.

Approved by the Board:

_____ Director

_____ Director

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations and Changes in Unrestricted Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	Erie Street	Wharf Street	Shlp Point	Ogden Point	Ogden Point	2005	2004
	\$	\$	\$	\$	Special Project	Total	Total
Revenues	\$ 567,100	\$ 271,780	\$ 170,952	\$ 2,155,967	\$ -	\$ 3,165,799	\$ 2,651,476
Expenses:							
General operating expenses	220,505	128,630	84,599	212,264	-	646,998	628,790
Repairs and maintenance	22,819	33,295	18,591	101,486	-	176,191	357,520
Insurance	40,816	31,007	21,361	55,595	-	148,579	135,279
Property taxes	30,572	18,218	14,723	432,468	-	495,982	489,535
Administrative	267,773	174,362	140,548	419,980	-	1,002,664	507,086
	582,285	386,513	279,823	1,221,793	-	2,470,414	2,118,210
Excess (deficiency) of revenues over expenses before the following	(15,185)	(114,733)	(108,871)	934,174	-	695,385	533,266
Other expenses:							
Amortization of capital assets contributed from:							
Transport Canada	(83,373)	(83,213)	(139,983)	(580,177)	(130,059)	(996,805)	(954,667)
Harbour Authority general operations	(15,866)	(2,952)	(1,033)	(34,257)	-	(54,108)	(34,343)
	(94,424)	(200,898)	(249,887)	319,740	(130,059)	(355,528)	(455,744)
Investment income	52,829	26,946	57,420	74,626	89,940	301,761	306,677
Excess (deficiency) of revenues over expenses before amortization of contributions	(41,595)	(173,952)	(192,467)	394,366	(40,119)	(53,767)	(149,067)
Amortization of deferred contributions	463,105	324,417	233,909	-	-	1,021,431	1,965,412
Amortization of deferred capital contributions	63,373	83,213	139,983	580,177	130,059	996,805	954,667
Excess of revenues over expenses	484,883	233,678	181,425	974,543	89,940	1,964,469	2,771,012
Transfer (to) from invested in capital assets:							
Purchase of capital assets	(40,983)	(33,397)	(204,683)	(128,829)	-	(407,692)	(494,171)
Amortization	15,866	2,952	1,033	34,257	-	54,108	34,343
	(25,117)	(30,445)	(203,650)	(94,372)	-	(353,584)	(459,828)
Internal restriction of net assets (note 6)	-	-	-	(168,000)	-	(168,000)	(168,000)
Unrestricted net assets, beginning of year	962,593	489,263	312,379	1,872,477	144,967	3,781,679	1,638,495
Unrestricted net assets, end of year	\$ 1,422,359	\$ 682,468	\$ 280,154	\$ 2,584,648	\$ 234,907	\$ 5,224,564	\$ 3,781,679

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Excess of revenues over-expenses	\$ 1,964,469	\$ 2,771,012
Items not involving cash:		
Amortization of deferred contributions	(1,021,431)	(1,965,412)
Amortization of deferred capital contributions	(996,805)	(954,667)
Amortization of capital assets	1,050,913	989,010
Net change in non-cash working capital	(248,527)	(611,987)
	748,619	227,956
Investing and financing activities:		
Purchase of capital assets	(36,962)	(2,254,042)
Capital assets under construction	(370,728)	-
Guaranteed investment certificates matured	-	1,668,000
Purchase of guaranteed investment certificates	(396,000)	-
	(803,690)	(586,042)
Decrease in cash	(55,071)	(358,086)
Cash, beginning of year	186,086	544,172
Cash, end of year	\$ 131,015	\$ 186,086

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2005

The Greater Victoria Harbour Authority (the "Authority") is incorporated under the Society Act (British Columbia). Its principal activity is to manage and develop the Victoria and Esquimalt harbours to meet local, Esquimalt Nation, Songhees Nation, municipal, provincial and federal interests and priorities.

On April 9, 2002 Transport Canada contributed lands and improvements at Erie Street, Wharf Street and Ship Point and a cash contribution for eligible expenditures over the next ten years. Similar contributions were received for Ogden Point on June 26, 2002. The contributions are subject to various operating and capital restrictions including continued use as a port facility.

The land and improvements were transferred to the Authority at a nominal value of \$1. The assets were recorded at an estimated fair market value of \$50,481,120, as determined by the BC Assessment Authority through their annual valuation and assessment process. Accordingly, the contribution for (i) improvements of \$30,857,620 was included in deferred capital contributions and (ii) land of \$19,623,500 was included in invested in capital assets.

1. Significant accounting policies:

(a) Revenue recognition:

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions of capital assets that will be amortized are recorded as deferred capital contributions in the period the asset is received. Contributions for capital assets that will not be amortized, such as land, are not recorded as deferred capital contributions or recognized as revenue, but are recorded as a direct increase in net assets in the period the asset is received.

Revenue from operations is recognized as services are performed. Amounts received for future services are deferred until the service is provided.

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1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their estimated fair market value at the date of contribution.

Amortization is provided on a straight-line basis over their estimated useful life at the following amortization periods:

Asset	Amortization period
Buildings	3 - 50 years
Breakwater and piers	50 years
Wharves and docks	10 - 15 years
Office and maintenance equipment	2 - 7 years
Furniture and fixtures	5 years
Yard improvements	5 - 10 years

Amortization is not provided on capital assets under construction until the assets are in use.

(c) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. The more subjective of such estimates are the amortization period of capital assets. Actual results could differ from these estimates.

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Year ended March 31, 2005

2. Guaranteed investment certificates:

Short-term certificates maturing in 2006	\$ 7,733,000
Long-term certificates maturing in 2007	2,610,000
	\$ 10,343,000

Guaranteed investment certificates, at rates of interest varying between 2.8% and 4.0%, include an amount of \$4,724,946 (2004 - \$5,746,377) which is restricted for eligible expenditures under the contribution agreements with Transport Canada.

3. Capital assets:

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Land	\$ 19,623,500	\$ -	\$ 19,623,500	\$ 19,623,500
Breakwater and piers	26,298,238	1,406,120	24,892,118	25,418,082
Wharves and docks	3,772,692	831,692	2,941,000	3,224,155
Buildings and yard improvements	4,061,946	494,675	3,567,271	3,763,205
Furniture and fixtures	16,367	6,544	9,823	12,154
Office and maintenance equipment	15,948	9,513	6,435	13,002
Capital assets under construction	370,728	-	370,728	-
	\$ 54,159,419	\$ 2,748,544	\$ 51,410,875	\$ 52,054,098

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Year ended March 31, 2005

4. Deferred contributions:

Deferred contributions received from Transport Canada are to be expended on eligible expenditures, as outlined in the Contribution Agreement for each facility. Until expended on eligible expenditures, the contributions are restricted. Any amounts not expended by March 27, 2012 are repayable to the federal government.

	Balance March 31, 2004	Amounts amortized to revenue	Balance March 31, 2005
Maintenance:			
Erie Street	\$ 906,224	\$ 463,105	\$ 443,119
Wharf Street	465,598	324,417	141,181
Ship Point	1,762,419	233,909	1,528,510
Special project:			
Ogden Point	2,612,136	-	2,612,136
	<u>\$ 5,746,377</u>	<u>\$ 1,021,431</u>	<u>\$ 4,724,946</u>

5. Deferred capital contributions:

Deferred capital contributions include unamortized capital contributions received from Transport Canada.

	Balance March 31, 2004	Amounts amortized to revenue	Balance March 31, 2005
Erie Street	\$ 584,576	\$ 63,372	\$ 521,204
Wharf Street	1,081,774	83,213	998,561
Ship Point	1,667,334	139,983	1,527,351
Ogden Point	26,284,444	580,178	25,704,266
Special project:			
Ogden Point	2,284,531	130,059	2,154,472
	<u>\$ 31,902,659</u>	<u>\$ 996,805</u>	<u>\$ 30,905,854</u>

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6. Internally restricted net assets:

Internally restricted assets are for self-insurance on the pier, parking lot and lamp stands at Ogden Point. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

7. Board honoraria:

For purposes of director's honoraria, as per amendment to Special Resolution 14.04.04, CAM-Sec 4.4, annual director's remunerations shall not exceed 5% of the previous year's gross revenues. The total honoraria paid in the fiscal year amounted to \$65,050 which represented 2.5% of the previous year's gross revenues.

8. Commitments and contingencies:

- (i) The Authority rents office premises and equipment under operating leases with minimum aggregate rent payable as follows:

	Building	Equipment	Total
2006	\$ 12,757	\$ 10,614	\$ 23,371
2007	-	7,456	7,456
2008	-	7,186	7,186
	\$ 12,757	\$ 25,256	\$ 38,013

The annual lease payments are inclusive of operating costs and property tax payments which are subject to escalation clauses.

- (ii) As at March 31, 2005, the Authority had \$52,500 of financial stand-by letters of guarantee outstanding for deposits with Fisheries and Oceans Canada in respect to a Monitoring Program of underwater habitat at Ogden Point. The letters of guarantee have a due date of September 15, 2009.

9. Fair value of financial assets and liabilities:

The carrying value of the Authority's cash, accounts receivable, long-term receivable, accrued interest receivable, guaranteed investment certificates, and accounts payable and accrued liabilities approximate their fair value.