

Audited Financial Statements of

**THE GREATER VICTORIA
HARBOUR AUTHORITY**

Year ended March 31, 2006



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

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, 2006 and the statements of operations and changes in unrestricted net assets and 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, 2006 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 9, 2006

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2006, with comparative figures for 2005


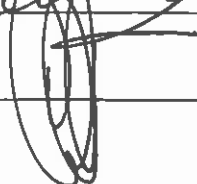
	2006	2005
Assets		
Current assets:		
Cash	\$ 360,658	\$ 131,015
Guaranteed investment certificates (note 2)	7,518,000	7,733,000
Accounts receivable	132,926	338,791
Accrued interest receivable	77,099	123,966
Prepaid expenses	3,059	2,047
	<u>8,091,742</u>	<u>8,328,819</u>
Long-term receivable	137,500	137,500
Guaranteed investment certificates (note 2)	2,610,000	2,610,000
Investments	489,741	-
Capital assets (note 3)	51,403,017	51,410,875
	<u>\$ 62,732,000</u>	<u>\$ 62,487,194</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 420,171	\$ 612,673
Deferred revenue	101,574	58,136
	<u>521,745</u>	<u>670,809</u>
Deferred contributions (note 4)	3,508,141	4,724,946
Deferred capital contributions (note 5)	29,911,636	30,905,854
Net assets:		
Invested in capital assets	21,491,381	20,505,021
Internally restricted (note 6)	624,000	456,000
Unrestricted	6,675,097	5,224,564
	<u>28,790,478</u>	<u>26,185,585</u>
Commitments and contingencies (note 8)		
	<u>\$ 62,732,000</u>	<u>\$ 62,487,194</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, 2006, with comparative figures for 2005

	Erie Street	Wharf Street	Ship Point	Ogden Point	Ogden Point Special Project	2006 Total	2005 Total
Revenues	\$ 647,601	\$ 314,992	\$ 460,521	\$ 2,302,842	\$ -	\$ 3,725,956	\$ 3,165,799
Expenses:							
General operating expenses	237,001	162,293	245,224	105,166	-	749,684	646,998
Repairs and maintenance	29,794	8,022	109,167	106,071	-	253,054	176,191
Insurance	38,519	30,871	30,935	45,395	-	145,720	148,579
Property taxes	45,287	20,300	19,309	444,248	-	529,144	495,982
Administrative	234,240	161,649	293,040	278,804	-	965,733	1,002,664
	584,841	383,135	697,675	977,684	-	2,643,335	2,470,414
Excess (deficiency) of revenues over expenses before the following	62,760	(68,143)	(237,154)	1,325,158	-	1,082,621	695,385
Other revenues (expenses):							
Amortization of capital assets contributed from:							
Transport Canada	(62,405)	(83,214)	(139,983)	(578,557)	(130,059)	(994,218)	(996,805)
Harbour Authority general operations	(22,319)	(3,972)	(2,136)	(44,798)	-	(73,225)	(54,108)
Investment income	51,913	23,192	52,783	250,805	-	378,693	301,761
Excess (deficiency) of revenues over expenses before amortization of contributions	29,949	(132,137)	(326,490)	952,608	(130,059)	393,871	(53,767)
Amortization of deferred contributions	418,242	141,181	657,382	-	-	1,216,805	1,021,431
Amortization of deferred capital contributions	62,405	83,214	139,983	578,557	130,059	994,218	996,805
Excess of revenues over expenses	510,596	92,258	470,875	1,531,165	-	2,604,894	1,984,469
Transfer (to) from invested in capital assets:							
Purchase of capital assets	(54,737)	(79,215)	(754,387)	(171,247)	-	(1,059,586)	(407,692)
Amortization	22,319	3,972	2,136	44,798	-	73,225	54,108
Internal restriction of net assets	-	-	-	(168,000)	-	(168,000)	(168,000)
Unrestricted net assets, beginning of year	1,422,359	692,496	290,154	2,584,648	234,907	5,224,564	3,761,679
Unrestricted net assets, end of year	\$ 1,900,537	\$ 709,511	\$ 8,778	\$ 3,821,364	\$ 234,907	\$ 6,675,097	\$ 5,224,564

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 2,604,894	\$ 1,964,469
Items not involving cash:		
Amortization of deferred contributions	(1,216,805)	(1,021,431)
Amortization of deferred capital contributions	(994,218)	(996,805)
Amortization of capital assets	1,067,443	1,050,913
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	205,865	(224,682)
Decrease (increase) in accrued interest receivable	46,867	(42,270)
Increase in prepaid expenses	(1,012)	(1,399)
Increase in long-term receivable	-	(137,500)
Increase (decrease) in accounts payable and accrued liabilities	(192,502)	161,871
Increase (decrease) in deferred revenue	43,438	(4,547)
	<u>1,563,970</u>	<u>748,619</u>
Investing activities:		
Purchase of capital assets	(47,815)	(36,962)
Capital assets under construction	(1,011,771)	(370,728)
Purchase of investments	(489,741)	-
Guaranteed investment certificates matured	215,000	-
Purchase of guaranteed investment certificates	-	(396,000)
	<u>(1,334,327)</u>	<u>(803,690)</u>
Increase (decrease) in cash	229,643	(55,071)
Cash, beginning of year	131,015	186,086
Cash, end of year	<u>\$ 360,658</u>	<u>\$ 131,015</u>

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2006

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 10 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.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following 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 initially deferred and subsequently recognized as revenue on the same basis as the related costs are amortized. 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.

(b) Investments:

Investments are recorded at cost. Adjustments are made for reductions in market value considered to be other than temporary.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2006

1. Significant accounting policies (continued):

(c) 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
Breakwater and piers	50 years
Wharves and docks	10 - 15 years
Buildings	3 - 50 years
Yard improvements	5 - 10 years
Furniture and fixtures	5 years
Office and maintenance equipment	2 - 7 years
Boats, marine and automotive	3 - 5 years

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

(d) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian 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.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2006

2. Guaranteed investment certificates:

	2006	2005
Short-term certificates	\$ 7,518,000	\$ 7,733,000
Long-term certificates	2,610,000	2,610,000
	\$ 10,128,000	\$ 10,343,000

Guaranteed investment certificates, at rates of interest varying between 2.9% and 4.0%, include an amount of \$3,508,141 (2005 - \$4,724,946) which is restricted for eligible expenditures under the contribution agreements with Transport Canada.

3. Capital assets:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Land	\$ 19,563,859	\$ -	\$ 19,563,859	\$ 19,623,500
Breakwater and piers	26,298,239	1,932,086	24,366,153	24,892,118
Wharves and docks	3,772,692	1,114,848	2,657,844	2,941,000
Buildings and yard improvements	4,125,275	741,572	3,383,703	3,567,271
Furniture and fixtures	26,349	10,617	15,732	9,823
Office and maintenance equipment	24,890	14,513	10,377	6,435
Boats, marine and automotive	25,202	2,352	22,850	-
Capital assets under construction	1,382,499	-	1,382,499	370,728
	\$ 55,219,005	\$ 3,815,988	\$ 51,403,017	\$ 51,410,875

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2006

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. Current year amounts amortized to revenue are net of Transport Canada audit adjustments of \$126,200 related to 2003, 2004 and 2005.

	Balance March 31, 2005	Amounts amortized to revenue	Balance March 31, 2006
Maintenance:			
Erie Street	\$ 443,119	\$ 418,242	\$ 24,877
Wharf Street	141,181	141,181	-
Ship Point	1,528,510	657,382	871,128
Special project:			
Ogden Point	2,612,136	-	2,612,136
	\$ 4,724,946	\$ 1,216,805	\$ 3,508,141

5. Deferred capital contributions:

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

	Balance March 31, 2005	Amounts amortized to revenue	Balance March 31, 2006
Erie Street	\$ 521,204	\$ 62,405	\$ 458,799
Wharf Street	998,561	83,214	915,347
Ship Point	1,527,351	139,983	1,387,368
Ogden Point	25,704,266	578,557	25,125,709
Special project:			
Ogden Point	2,154,472	130,059	2,024,413
	\$ 30,905,854	\$ 994,218	\$ 29,911,636

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2006

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 \$67,700 which represented 2.1% 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
2007	\$ 16,317	\$ 11,473	\$ 27,790
2008	-	9,111	9,111
2009	-	9,111	9,111
	\$ 16,317	\$ 29,695	\$ 46,012

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

- (ii) As at March 31, 2006, the Authority had \$11,300 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, investments, and accounts payable and accrued liabilities approximate their fair value.