Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2017

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2017

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards.

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when current accounting period transactions cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority

Grant Main
Chief Executive Officer
Date: June 21, 2017

Nancy Bain
Executive Financial Officer
and Corporate Secretary
Date: June 21, 2017

OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Chair of the Board of Directors of BC Transportation Financing Authority, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority (“the entity”), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 overall presentation of the consolidated financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2g) to the consolidated financial statements, the entity's accounting for capital contributions received from governments and for externally restricted capital contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations on the same basis as the related assets are amortized.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year consolidated financial statements is an overstatement of the liability for deferred revenue of $3,768 million, an understatement of opening accumulated surplus of $3,497 million, and a current year understatement of revenue of $271 million. Accordingly, the current year deficit is overstated by $271 million and net debt is overstated by $3,768 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2017, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Russ Jones

Victoria, British Columbia	Russ Jones, FCPA, FCA
June 29, 2017	Deputy Auditor General

OFFICE OF THE
Auditor General
of British Columbia

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2017 ($ 000s)	2016 ($ 000s)
Financial assets:			
Cash and cash equivalents	3	335,876	56,705
Due from government and government organizations	4	46,425	43,960
Accounts receivable		3,230	21
Investment in government business enterprise	5	139,079	136,231
Other financial assets	6	11,362	11,860
Derivative instruments	7	449,935	659,052
		985,907	907,829
Liabilities:			
Due to government and government organizations	8	351,034	158,114
Accounts payable and accrued liabilities	9	159,383	152,206
Debt	10	9,298,932	8,132,834
Public-private partnership obligations	11	823,574	1,158,974
Deferred capital contributions	12	3,853,179	3,928,245
Deferred revenue	13	185,479	474,241
		14,671,581	14,004,614
Net debt		(13,685,674)	(13,096,785)
Non-financial assets:			
Tangible capital assets	14	13,437,900	13,539,824
Other non-financial assets	15	2,438	2,648
		13,440,338	13,542,472
Accumulated (deficit) surplus		(245,336)	445,687

Accumulated (deficit) surplus is comprised of:			
Accumulated annual (deficit)		(453,114)	(5,650)
Accumulated remeasurement gains		207,778	451,337
		(245,336)	445,687

Contractual obligations	16
Contingent liabilities	17

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:

Director

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	Budget (note 23) ($ 000s)	2017 ($ 000s)	2016 ($ 000s)
Revenue:				
Tax revenue:	18			
Motor fuel tax		423,000	455,420	440,492
Car rental tax		7,000	7,000	6,500
Total tax revenue		430,000	462,420	446,992
Amortization of deferred capital contributions	12	172,760	172,634	168,371
Operating revenue	19	53,357	41,230	29,382
Earnings from government business enterprise	5	5,583	7,274	5,531
		661,700	683,558	650,276
Expenses:				
Operating expenses:				
Highway operations		577,610	531,942	540,771
Transit programs		120,136	136,993	91,135
Ferry operations		29,468	35,779	16,656
Other programs		58,445	70,195	61,766
Total operating expenses	20	785,659	774,909	710,328
Debt servicing costs	21	401,699	356,113	342,397
		1,187,358	1,131,022	1,052,725
Deficit from operations		(525,658)	(447,464)	(402,449)
Government restructure - gain on assets and liabilities transfer	22		-	119,758
Government restructure - recognition of non-deferrable capital contributions	22		-	27,467
Annual deficit			(447,464)	(255,224)
Accumulated annual (deficit) surplus at beginning of year			(5,650)	249,574
Accumulated annual (deficit) at end of year			(453,114)	(5,650)

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Debt

For the year ended March 31	Budget (note 23) ($ 000s)	2017 ($ 000s)	2016 ($ 000s)
Annual deficit	(525,658)	(447,464)	(255,224)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(951,803)	(823,004)	(867,487)
Amortization of tangible capital assets	492,454	480,470	470,661
Asset write-off, disposal and other adjustments	2,000	14,698	5,188
Transfer of TransLink Evergreen Infrastructure (note 14)	-	429,760	-
Net additions of tangible capital assets due to government restructure (note 22)	-	-	(1,458,254)
	(457,349)	101,924	(1,849,892)
Effect of change in investment in government business enterprise:			
Other comprehensive loss		(134)	(97)
		(134)	(97)
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		32	(23)
Foreign currency translation		(34,340)	63,995
Derivative instruments		(209,117)	(35,223)
		(243,425)	28,749
Effect of change in other non-financial assets		210	21,609
(Increase) in net debt		(588,889)	(2,054,855)
Net debt at beginning of year		(13,096,785)	(11,041,930)
Net debt at end of year		(13,685,674)	(13,096,785)

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2017 ($ 000s)	2016 ($ 000s)
Accumulated remeasurement gains at beginning of year	451,337	422,685
Unrealized gains and losses:		
Unrealized gain (loss) on equity investments	32	(23)
Unrealized foreign exchange (loss) on debt	(34,340)	(7,701)
Unrealized net (loss) gain on periodic derivative instrument payments	(154,739)	88,307
	(189,047)	80,583
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange loss on maturity of debt	-	71,696
Realized (gain) on maturity of derivative instruments	-	(69,686)
Realized net (gain) on periodic derivative instrument payments	(54,378)	(53,844)
	(54,378)	(51,834)
Unrealized comprehensive (loss) from government business enterprise	(134)	(97)
Accumulated remeasurement gains at end of year	207,778	451,337

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2017 ($ 000s)	2016 ($ 000s)
Operating activities:		
Annual deficit	(447,464)	(255,224)
Items not involving cash:		
Amortization of tangible capital assets	480,470	470,661
Amortization of deferred capital contributions	(172,634)	(168,371)
Amortization of debt premium, discount and issue cost	(678)	(366)
Cost of properties sold (other financial assets)	2,953	1,776
Earnings from government business enterprise	(7,274)	(5,531)
Change in operating working capital:		
(Increase) in due from government and government organizations	(2,465)	(9,687)
(Increase) in accounts receivable	(3,209)	(20)
Increase in due to government and government organizations	192,920	2,603
Increase in accounts payable and accrued liabilities	7,177	19,126
	49,796	54,967
Financing activities:		
Debt issued	1,308,350	1,052,533
Debt retired	(175,914)	(348,896)
Realized foreign exchange loss on maturity of debt	-	71,696
Realized (gain) on maturity of derivative instruments	-	(69,686)
(Decrease) Increase in public-private partnership obligations	(335,400)	28,964
Net addition to deferred capital contributions	97,568	132,827
Addition to deferred capital contributions due to government restructure (note 22)	-	1,339,428
Deferred capital contributions recognized as gain on government restructure (note 22)	-	(27,467)
(Decrease) Increase in deferred revenue	(288,762)	77,781
	605,842	2,257,180
Investing activities:		
Payment from government business enterprise to BCTFA	4,292	3,691
	4,292	3,691
Capital activities:		
Addition to tangible capital assets	(823,004)	(867,487)
Transfer of TransLink Evergreen Infrastructure (note 14)	429,760	-
Net additions of tangible capital assets due to government restructure (note 22)	-	(1,458,254)
Tangible capital asset written down or disposed	8,000	115
Costs of tangible capital asset sold	4,275	642
Decrease in other non-financial assets	210	21,609
	(380,759)	(2,303,375)
Increase in cash and cash equivalents	279,171	12,463
Cash and cash equivalents at beginning of year	56,705	44,242
Cash and cash equivalents at end of year	335,876	56,705

Supplemental disclosure of cash flow information:		
Interest paid	355,382	334,127

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by a Board who may exercise the rights, powers and advantages conferred under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives.

BCTFA is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS).

b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, net operating income, other comprehensive income and changes in equity of government business enterprises are consolidated. Inter-entity transactions are not eliminated. No adjustment is made for accounting policies of BCRC that are different from BCTFA. Payments to BCTFA and the Province are deducted from the investment in BCRC.

c) Financial instruments:

Financial instruments include primary instruments such as receivables, payables and loans and derivative instruments such as interest rate swaps and currency swaps. These instruments create rights and obligations for an entity to receive or deliver economic benefits. Public sector accounting standards require that these instruments to be assigned to one of the two measurement categories below:

i) fair value; or
ii) cost or amortized cost.

BCTFA measures its equity investments and derivative instruments at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system describes the basis of inputs used to measure financial instruments in the fair value category:

i) Level 1 - Quoted price in active market for identical assets or liabilities.
ii) Level 2 - Internal models developed from observable market data for similar assets or liabilities.
ii) Level 3 - Internal models developed without observable market data.

2. Significant accounting policies (continued):

c) Financial instruments (continued):

Equity investments:

BCTFA initially recognizes its equity investments at exchange price plus all related transaction costs. These investments are subsequently remeasured at fair value at fiscal year-end using the last bid price in an active exchange (Level 1). Changes in the fair value of the investments are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the investments are sold.

Derivative instruments:

BCTFA uses derivative contracts to manage its currency and interest rate exposure. The derivative contract at inception has no value. At each fiscal year-end, these contracts are remeasured at fair values provided by Provincial Treasury, which uses Level 2 methodology to derive the fair values. Changes in the fair value of these contracts are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the contract expires or is extinguished.

Other financial assets and financial liabilities:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. Interest attributable to financial instruments of this type are reported in the statement of operations.

d) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

i) prior to the date of the financial statements, management, with appropriate authority, commits the entity to selling the asset;
ii) the asset is in a condition to be sold;
iii) the asset is publicly seen to be for sale:
iv) there is an active market for the asset;
v) there is a plan in place for selling the asset; and
vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

e) Bond premiums, discounts and issue costs:

Bond premiums, discounts and issue costs are deferred and amortized using the effective interest rate method over the term of the related debt.

2. Significant accounting policies (continued):

f) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as costs incurred by the BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model supporting the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives consistent with the tangible capital assets in note 2(i) and the corresponding obligations will be paid down over the term of the agreements using the effective interest rate method.

g) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary contributions for depreciable tangible capital assets and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land are recognized as revenue in the period when authorized and all eligibility criteria are met.

h) Deferred revenue:

Deferred lease and licence revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis. Other deferred operating revenue is recognized as revenue when services are rendered.

i) Tangible capital assets:

BCTFA expenses all pre-project planning costs. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use. The costs of a project in progress are written off in the year it is determined no asset will result.

Completed infrastructure is recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. Capitalization of financing charges ceases when substantial completion of a project is attained.

The costs of a completed infrastructure, less the residual value and related land acquisition cost, are amortized on a straight-line basis over its estimated useful life as follows:

Tangible capital asset	Estimated useful life
Land	Indefinite
Vessels	15 - 40 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	3 - 40 years
Transit infrastructure	15 - 100 years
Building and improvements	15 - 90 years

2. Significant accounting policies (continued):

i) Tangible capital assets (continued):

The cost of completed infrastructure is written down when conditions indicate that it no longer contributes to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the asset is less than its net book value. The net write-down is accounted for as expense in the statement of operations.

Tangible capital assets and properties transferred from government or government organizations are recorded at their net book values with corresponding entries to deferred capital contributions and statement of operations respectively.

j) Revenue recognition:

All revenues are recorded on an accrual basis and recognized in the period in which the transactions or events occurred that gave rise to the revenues.

See note 2(g) for recognition of deferred capital contributions and note 2(h) for recognition of other deferred revenue.

k) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

l) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the related assets or liabilities expire or are extinguished.

m) Liability for contaminated sites:

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment standard. A contaminated site does not include airborne contamination or contaminants in the earth's atmosphere unless such contaminants have been introduced into soil, water bodies or sediment.

2. Significant accounting policies (continued):

m) Liability for contaminated sites (continued):

The nature of BCTFA's activities sometime leads to the ownership and responsibility of certain contaminated sites that are used for transportation infrastructure and some contaminated sites that are no longer in productive use.

BCTFA recognizes the liability of all contaminated sites that are not in productive use if a reasonable estimate of the remediation cost can be made.

BCTFA recognizes the liability of the contaminated sites that are in productive use if it is expected that remediation is required in the future and a reasonable estimate of the cost can be made. If there is not sufficient information to determine whether a site requires remediation, BCTFA discloses the potential liability as a contingent liability. BCTFA performs periodic assessments of all contaminated sites and makes changes to the accrued and contingent liabilities in the year when the status or estimates changed.

The estimated liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, net of any expected recoveries. The basis of the estimate for each contaminated site comes from the estimates of an external consultant or from the Ministry of Transportation and Infrastructure experience at other similar sites.

n) Measurement uncertainty:

The presentation of the consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include capital asset useful life and rates for amortization; liabilities for contaminated sites; and provisions for expropriation, construction and other claims.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

Liabilities for contaminated sites are subject to a high degree of uncertainty due to the existence and extent of the contamination and the responsibility for clean-up. Provisions for expropriation, construction and other claims are contingent to the likelihood of the occurrence (non-occurrence) of a future event that will confirm that a liability has been incurred cannot be reliably estimated in all circumstances. The degree of measurement uncertainty resulting from the estimation of these liabilities cannot be reasonably determined.

3. Cash and cash equivalents:

	2017 ($ 000s)	2016 ($ 000s)
Cash	331,116	50,089
Cash equivalents	4,760	6,616
	335,876	56,705

Included in cash and cash equivalents is:

- $2.3 million (2016 - $2.9 million) funding received from road users for the Sierra Yoyo Desan Road Transition Agreement between BCTFA and the Ministry of Natural Gas Development. These funds can only be used for the improvement or maintenance of the Sierra Yoyo Desan Road.

Cash equivalents are investments in money market instruments which are redeemable within a day's notice.

4. Due from government and government organizations:

	2017 ($ 000s)	2016 ($ 000s)
Province of British Columbia	38,992	41,169
Transportation Investment Corporation	7,433	2,791
	46,425	43,960

Due from the provincial government includes fuel tax revenue owing to BCTFA.

5. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements.

	2017 ($ 000s)	2016 ($ 000s)
Investment in BCRC at beginning of year	136,231	134,488
Earnings for the year	7,274	5,531
Comprehensive loss	(134)	(97)
Payment to BCTFA	(4,292)	(3,691)
	2,848	1,743
Investment in BCRC at end of year	139,079	136,231

BCRC's consolidated financial statements have been prepared by its management in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Consolidated Statement of Financial Position As at March 31	2017 ($ 000s)	2016 ($ 000s)
Financial assets	238,052	251,595
Liabilities	(263,549)	(275,160)
Net (debt)	(25,497)	(23,565)
Non financial assets	164,576	159,796
Accumulated surplus	139,079	136,231

Consolidated Statement of Comprehensive Income For the year ended March 31	2017 ($ 000s)	2016 ($ 000s)
Revenue	24,800	21,920
Expenses	(17,526)	(16,389)
Annual operating surplus	7,274	5,531
Other comprehensive loss	(134)	(97)
Total comprehensive income	7,140	5,434

6. Other financial assets:

	2017 ($ 000s)	2016 ($ 000s)
Equity investments	83	51
Properties held for sale	11,279	11,809
	11,362	11,860

Equity investments are investments in shares of Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement. As at March 31, 2017, BCTFA holds 28,250 shares (2016 - 28,250 shares) of Ballard Power Systems Inc.

Properties held for sale are surplus properties that are not anticipated to be used for future highway purposes and have met all criteria in note 2(d).

7. Derivative instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated with interest rate and foreign exchange fluctuations. To mitigate exposure to those risks, BCTFA entered into a number of interest rate and currency swap contracts. The contracts expire between fiscal 2017/18 and 2037/38 with a fair value of $362 million (2016 - $441 million) for interest rate swaps and $88 million (2016 - $218 million) for currency swaps as at March 31, 2017.

BCTFA entered into five new derivative contracts this fiscal (2016 - two new contracts entered) and no derivative contract expired during the year (2016 - two contracts expired).

8. Due to government and government organizations:

	2017 ($ 000s)	2016 ($ 000s)
Province of British Columbia	351,034	158,114
	351,034	158,114

Due to the provincial government is mainly capital project payments and accrued project liabilities.

9. Accounts payable and accrued liabilities:

	2017 ($ 000s)	2016 ($ 000s)
Interest payable	85,820	78,328
Liabilities for contaminated sites	48,326	49,550
Other payables and accrued liabilities	25,078	24,288
GST remittance to the federal government	159	40
	159,383	152,206

10. Debt:

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt [1] ($ 000s)	2017 Canadian total ($ 000s)	2016 Canadian total ($ 000s)
Promissory notes	2017	-	-	-	175,914
Debt	2018	200,000	401,590	601,590	497,590
	2019	180,000	-	180,000	180,000
	2020	450,000	-	450,000	450,000
	2021	308,823	-	308,823	308,823
	2022	791,464	248,500	1,039,964	1,039,964
	2023 - 2027	1,100,895	870,251	1,971,146	1,200,895
	2028 - 2032	1,410,000	-	1,410,000	1,410,000
	2033 - 2037	21,490	150,000	171,490	21,490
	2038 - 2042	1,426,063	-	1,426,063	1,343,526
	2043 - 2047	750,000	-	750,000	750,000
	2048 - 2052	792,000	-	792,000	592,000
Total debt issued		7,430,735	1,670,341	9,101,076	7,970,202
Unrealized foreign exchange loss on debt				233,579	199,239
Unamortized debt premium, discount and issue cost				(35,723)	(36,607)
				9,298,932	8,132,834
The effective interest rates (weighted average) as at March 31 on the above debt are:				3.47%	3.63%

[1] As at March 31, 2017, BCTFA has $1,164 million US dollar debt (2016 - $652 million) and $175 million Euro dollar debt (2016 - $67.5 million) outstanding.

10. Debt (continued):

BCTFA acquired $1,308 million debt (2016 - $1,053 million) and retired $176 million debt during the year (2016 - $349 million).

Anticipated principal repayments on debt for the next five fiscal years and thereafter are as follows:

Principal repayment in Canadian currency ($ 000s)	
2018	601,590
2019	180,000
2020	450,000
2021	308,823
2022	1,039,964
and thereafter	6,520,699
	9,101,076

The Minister of Finance is the fiscal agent of BCTFA. All debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget.

11. Public-private partnership obligations:

BCTFA has entered into four public-private partnership (P3) contracts to design, build, finance and operate (DBFO) certain highway infrastructure. In fiscal 2012/13, BCTFA also entered into a P3 contract to design, build and finance the construction of the Evergreen Line Rapid Transit Project (the "Evergreen Line"). On October 31, 2016, the Evergreen Line was substantially complete and the related P3 capital obligation was fully paid subsequent to substantial completion.

The information presented below shows the outstanding balance of the capital obligations under these contracts. Future payments for the financing and operating components of these contracts are disclosed under contractual obligations in note 16.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital obligations 2017 ($ 000s)	Capital obligations 2016 ($ 000s)
Evergreen Line Rapid Transit Project	Completed	4.42	DBF	3.5	-	299,320
South Fraser Perimeter Road	Completed	9.16	DBFO	20	167,479	178,172
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	59,026	61,485
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	437,621	456,777
William R. Bennett Bridge	Completed	7.88	DBFO	30	159,448	163,220
					823,574	1,158,974

11. Public-private partnership obligations (continued):

Anticipated principal repayments on public-private partnership obligations for the next five fiscal years and thereafter are as follows:

	Principal repayment ($ 000s)
2018	40,200
2019	31,707
2020	26,931
2021	37,408
2022	45,212
and thereafter	642,116
	823,574

12. Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized.

	April 1, 2016 balance ($ 000s)	Net addition ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2017 balance ($ 000s)
Provincial government	2,279,807	-	(129,554)	2,150,253
Federal government	1,549,634	87,118	(39,463)	1,597,289
Municipal government	37,354	9,789	(1,280)	45,863
Other partners	61,450	661	(2,337)	59,774
	3,928,245	97,568	(172,634)	3,853,179

13. Deferred revenue:

	April 1, 2016 balance ($ 000s)	Net adjustment ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2017 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	57,734	-	(1,228)	56,506
Port Mann/Highway 1 Improvement Project land licence	123,562	(705)	(1,544)	121,313
George Massey Tunnel Replacement Project land licence	-	7,093	-	7,093
Evergreen Line Rapid Transit Project	292,787	(292,787)	-	-
Other deferred revenue	158	567	(158)	567
	474,241	(285,832)	(2,930)	185,479

British Columbia Ferry Services Inc. terminal lease:

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of the British Columbia Ferry Services Inc. (BC Ferries) - formerly named British Columbia Ferry Corporation. In April 2003, the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from BC Ferries at fair value and subsequently leased these assets back to BC Ferries for a term of 60 years. BC Ferries prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

Port Mann/Highway 1 Improvement Project (PMH1) land licence:

BCTFA and the Transportation Investment Corporation (TI Corp) entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the PMH1 Concession Agreement. The term of the agreement commenced on December 1, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA amortizes the prepaid land licensing fee on a straight line basis over approximately 77 years. In fiscal 2016/17, net adjustment to PMH1 land licence was a reduction of $0.7 million mainly due to reclassification of a property from land right to investment property at TI Corp (2016 - net adjustment was $2.9 million).

George Massey Tunnel Replacement Project (GMTR) land licence:

Similar to the PMH1 project, BCTFA will enter into a land licensing agreement with the TI Corp providing TI Corp the right to use and occupy certain BCTFA's lands for the GMTR project. TI Corp agrees to prepay all costs incurred for land purchases. The term of the land licensing agreement is subject to finalization of the GMTR Concession Agreement. In fiscal 2016/17, BCTFA acquired $7.1 million (2016 - $0) of land for the GMTR project.

13. Deferred revenue (continued):

Evergreen Line Rapid Transit Project:

The Evergreen Line Rapid Transit Project (the "Evergreen Line") is funded by the BCTFA, the Government of Canada, TransLink and other partners. The Evergreen Line links neighbourhoods in Burnaby, Port Moody and Coquitlam and is fully integrated into the existing skytrain system. In fiscal 2012/13, BCTFA signed the Funding and Support Agreement (the "FSA") with TransLink and led the construction of the Evergreen Line. During the construction period, TransLink and other partners made periodic payments to BCTFA for the portion of the TransLink Evergreen Infrastructure.

Deferred Revenue included payments, totaling $292.787 million to March 31, 2016, made by TransLink and other partners during construction of the TransLink Evergreen Infrastructure. Deferred revenue was reduced by this amount in fiscal 2016/17 to recognize the simultaneous settlement of the legal obligation of TransLink to pay for, and BCTFA to build, the TransLink Evergreen Infrastructure.

14. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated for providing services to the general public by holding, improving or operating the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval. At each fiscal year-end, BCTFA reclassifies land that meets the criteria for properties held for sale in note 2(d) to other financial assets.

The Evergreen Line achieved substantial completion during the year. Construction of the Evergreen Line was led by BCTFA, with TransLink owning the portion defined in the FSA as the TransLink Evergreen Infrastructure. Upon substantial completion the final value of the TransLink Evergreen Infrastructure was determined. An account receivable of $429.760 million was established and the corresponding amount removed from BCTFA's work in progress asset account. The account receivable was eliminated through the legal offset of the deferred revenue amount of $292.787 million and payments of $136.973 million received in fiscal 2016/17.

Tangible capital assets under lease:

Included in tangible capital assets are capital assets leased to TransLink. These capital assets under lease consist of land and interests in land, improvements such as stations and guideways, rolling stocks, and other assets related to the Millennium Line, Expo Line skytrain systems and West Coast Express. Concurrent with substantial completion of the Evergreen Line, the Millennium Line Use Agreement was amended to include all Evergreen Line assets. All leased assets are made available for TransLink's use for a nominal rent under operating lease arrangements pursuant to an Order in Council (OIC) and to the Millennium Line Use Agreement, and represent one of the province's contributions toward public transportation in the Metro Vancouver service area. The operating lease arrangements expire on January 29, 2018 for the Millennium Line, Evergreen Line, Expo Line and the West Coast Express. These agreements may be renewed, if mutually agreed, for successive five year terms as long as the assets remain a part of the Greater Vancouver regional transportation system. The net book value of these assets as at March 31, 2017 is $2,315 million (2016 - $1,467 million).

14. Tangible capital assets (continued):

Cost	April 1, 2016 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3] / Disposal ($ 000s)	March 31, 2017 balance ($ 000s)
Highway infrastructure [1]	14,188,315	-	525,359	-	14,713,674
Transit infrastructure [2]	2,390,142	-	757,209	-	3,147,351
Ferry terminals and facilities	23,614	-	704	(743)	23,575
Vessels	62,380	-	-	-	62,380
Building and improvements	58,229	-	-	-	58,229
Land [3]	1,893,653	92,705	-	(7,635)	1,978,723
Capital projects in progress [4]	1,433,801	730,299	(1,713,032)	(6,932)	444,136
	20,050,134	823,004	(429,760)	(15,310)	20,428,068

Accumulated amortization	April 1, 2016 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Disposal ($ 000s)	March 31, 2017 balance ($ 000s)
Highway infrastructure [1]	(5,451,915)	(440,310)	-	-	(5,892,225)
Transit infrastructure [2]	(1,025,463)	(35,764)	-	-	(1,061,227)
Ferry terminals and facilities	(5,734)	(874)	-	612	(5,996)
Vessels	(21,723)	(2,012)	-	-	(23,735)
Building and improvements	(5,475)	(1,510)	-	-	(6,985)
	(6,510,310)	(480,470)	-	612	(6,990,168)

Net book value	April 1, 2016 balance ($ 000s)	March 31, 2017 balance ($ 000s)
Highway infrastructure [1]	8,736,400	8,821,449
Transit infrastructure [2]	1,364,679	2,086,124
Ferry terminals and facilities	17,880	17,579
Vessels	40,657	38,645
Building and improvements	52,754	51,244
Land [3]	1,893,653	1,978,723
Capital projects in progress [4]	1,433,801	444,136
	13,539,824	13,437,900

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.

[3] Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

[4] Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

14. Tangible capital assets (continued):

Cost	April 1, 2015 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3] / Disposal ($ 000s)	March 31, 2016 balance ($ 000s)
Highway infrastructure [1]	13,785,377	-	402,938	-	14,188,315
Transit infrastructure [2]	65,747	-	2,324,395	-	2,390,142
Ferry terminals and facilities	23,614	-	-	-	23,614
Vessels	62,380	-	-	-	62,380
Building and improvements	57,708	-	521	-	58,229
Land [3]	1,741,583	38,317	118,826	(5,073)	1,893,653
Capital projects in progress [4]	996,730	829,170	(391,984)	(115)	1,433,801
	16,733,139	867,487	2,454,696	(5,188)	20,050,134

Accumulated amortization	April 1, 2015 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Disposal ($ 000s)	March 31, 2016 balance ($ 000s)
Highway infrastructure [1]	(5,011,115)	(440,800)	-	-	(5,451,915)
Transit infrastructure [2]	(3,809)	(25,542)	(996,112)	-	(1,025,463)
Ferry terminals and facilities	(4,942)	(792)	-	-	(5,734)
Vessels	(19,585)	(2,138)	-	-	(21,723)
Building and improvements	(3,756)	(1,389)	(330)	-	(5,475)
	(5,043,207)	(470,661)	(996,442)	-	(6,510,310)

Net book value	April 1, 2015 balance ($ 000s)	March 31, 2016 balance ($ 000s)
Highway infrastructure [1]	8,774,262	8,736,400
Transit infrastructure [2]	61,938	1,364,679
Ferry terminals and facilities	18,672	17,880
Vessels	42,795	40,657
Building and improvements	53,952	52,754
Land [3]	1,741,583	1,893,653
Capital projects in progress [4]	996,730	1,433,801
	11,689,932	13,539,824

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes bus exchanges and park & ride facilities.

[3] Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

[4] Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

15. Other non-financial assets:

Other non-financial assets are deferred land selling costs which will be charged to expense when the related property is sold.

16. Contractual obligations:

Information presented below under public-private partnerships (P3) are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are financing and operating payments to P3 concessionaires. They are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements. Capital obligations resulting from the public-private partnership contracts are disclosed in note 11.

Under the terms of the Provincial Funding Agreement for the Canada Line Rapid Transit Project, BCTFA is committed to contribute capital and operating funding for the construction and operations of the Canada Line. The obligations presented below include BCTFA's commitment to Canada Line operating payments. These payments are also contingent on specific performance criteria being met.

($ millions)	Contract end date	2018	2019	2020	2021	2022	Future payments
Public-private partnership (P3) projects:							
Sea-to-Sky Highway Corridor	2030	49.6	48.8	48.3	47.0	45.8	358.7
Kicking Horse Canyon Projects	2030	8.4	8.7	8.9	9.3	9.1	93.4
South Fraser Perimeter Road	2035	21.4	29.3	33.0	24.1	21.2	249.7
William R. Bennett Bridge	2035	16.7	16.5	16.3	16.0	15.7	168.1
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	346.2
Other commitments		227.0	34.8	6.0	-	-	-
		342.4	157.4	131.8	115.7	111.1	1,216.1

17. Contingent liabilities:

The nature of BCTFA's activities is such that there is litigation pending or in progress at any time. Based on all currently available information, BCTFA recorded a provision for litigation that a reasonable estimate can be made and it is probable that a settlement could be reached. The basis of the estimate comes from the advice of professional consultants and the entity's experience on similar circumstances.

With respect to unrecorded contingencies, BCTFA performs an annual assessment of those contingencies and makes changes to the provision in the year the status or estimates changed. As at March 31, 2017, BCTFA has unrecorded contingencies of $71 million (2016 - $171 million) in which $68 million (2016 - $162 million) are land/property related claims and contingent liabilities for contaminated sites.

18. Tax revenue:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 43 of the *Provincial Sales Tax Act*, BCTFA receives a car rental tax of $1.50 per car rental day.

19. Operating revenue:

Operating revenue consists of the following:

	2017 ($ 000s)	2016 ($ 000s)
Net revenue from property sales	24,136	14,396
Rental and leases	10,602	8,718
Grants from the Province	2,998	4,500
Miscellaneous revenue	3,494	1,768
	41,230	29,382

20. Operating expenses:

Operating expenses by group account classification:

	2017 ($ 000s)	2016 ($ 000s)
Amortization expense	480,470	470,661
Grants	127,163	99,064
Operating costs	89,681	81,846
Other costs	62,461	52,758
Administration expense	7,134	5,884
Asset write-down or disposal	8,000	115
	774,909	710,328

21. Debt servicing costs:

	2017 ($ 000s)	2016 ($ 000s)
Interest on debt and public-private partnership obligations	417,650	403,429
Interest capitalized	(6,481)	(8,832)
	411,169	394,597
Amortization of debt premium, discount and issue cost	(678)	(366)
Realized foreign exchange loss on maturity of debt	-	71,696
Realized (gain) on maturity of derivative instruments	-	(69,686)
Realized net (gain) on periodic derivative instrument payments	(54,378)	(53,844)
	356,113	342,397

22. Government Restructure:

On May 14, 2015, *Bill 2 – 2015 BC Transportation Financing Authority Transit Assets and Liabilities Act* was granted Royal Assent. The Bill called for all the assets and liabilities of Rapid Transit Project 2000 Ltd. (RTP 2000) and the assets and liabilities connected to the regional transportation system of Greater Vancouver Regional District (owned by BC Transit) to be transferred to BCTFA.

When the Bill came into effect on May 21, 2015, RTP 2000 and BC Transit transferred the related assets and liabilities to BCTFA for zero proceeds. The following table reflects the financial impact to the crown entities and the consolidated financial statements of the Province of BC due to the enactment of *Bill 2*. The $120 million gain from the restructuring represents mostly the carrying value of the land transferred to BCTFA. After the transfer, $27 million of the unamortized deferred capital contributions previously contributed by BCTFA was recognized as revenue.

Entity	Tangible capital assets ($ 000s)	Accumulated amortization ($ 000s)	Net book value ($ 000s)	Deferred capital contributions ($ 000s)	Financial assets ($ 000s)	Accounts payable and accrued liabilities ($ 000s)	Gain or (Loss) ($ 000s)
BC Transit	(1,374,789)	699,669	(675,120)	609,245	-	-	(65,875)
RTP 2000	(1,079,907)	296,773	(783,134)	730,183	(6,514)	5,582	(53,883)
BCTFA	2,454,696	(996,442)	1,458,254	(1,339,428)	6,514	(5,582)	119,758
Summary Financial Statement Province of BC	-	-	-	-	-	-	-

23. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2016/17 - 2018/19 Ministry of Transportation and Infrastructure service plan and the Province's budget and fiscal plan.

24. Risk management:

a) Interest rate risk:

BCTFA is exposed to changes in interest rates on its debt. Based on the entity's debt policy, variable interest rate exposure for debt is limited to a maximum of 40%. To manage interest rate exposure and to maintain the target debt ratio, BCTFA may from time to time enter into interest rate swap contracts.

As at March 31, 2017, 27.13% (2016 - 25.84%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of $5.6 million (2016 - $4.4 million), net of all interest rate swap contracts, to BCTFA's future operating result and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not in the best financial interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into currency swaps to offset the currency risk.

As at March 31, 2017, BCTFA has $1,164 million US dollar debt (2016 - $652 million) and $175 million Euro dollar debt (2016 - $67.5 million) outstanding. The foreign exchange risk of these debt issues is fully offset by currency swaps.

c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. The Province only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

24. Risk management (continued):

d) Liquidity risk:

Liquidity risk is the risk that BCTFA will encounter difficulty in meeting its financial obligations as they come due. BCTFA manages liquidity risk through effective financial and contract management.

Each year, BCTFA reviews its net cash requirement for operational activities and capital investments for the next three years and submits a long-term borrowing plan to Treasury Board for approval. As the fiscal agent of BCTFA, the Minister of Finance has provided BCTFA a pre-authorized short-term borrowing limit of which BCTFA can access short-term funds to meet liquidity needs within one day's notice.

25. Related party transactions:

BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. BCTFA and the Ministry of Transportation and Infrastructure (the "Ministry") signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.

26. Comparative figures:

Certain comparative figures have been restated to conform to current year's presentation.