Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2013

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 established by the Canadian Public Sector Accounting Board.

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 schedules, 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 necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period 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

Nancy Bain
Executive Financial Officer
and Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

To 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, which comprise the consolidated statement of financial position as at March 31, 2013, 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 and fair presentation 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 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 and fair presentation 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Note 2(i) describes the accounting policy for capital project contributions from the federal and provincial governments and other outside agencies. The policy is to defer such transfers and recognize as revenue in the statement of operations on the same basis as the amortization expense is recorded for the related asset. In this respect the financial statements are not in accordance with Canadian public sector accounting standards which require transfers of a capital nature to be recorded in revenue when the funds provided have been used to purchase or construct the capital asset, or to the extent that additional stipulations imposed by the transferring entity give rise to an obligation, when the obligation is settled.

Had capital contributions been treated in accordance with Canadian public sector accounting standards, and the resulting correction made prospectively for contributions received in prior years, liabilities as at March 31, 2013 would have been less by $2,055 million, revenue would have been greater by $2,082 million, and the deficit for the year then ended would have been less by $2,082 million.

Had an adjustment been made prospectively in relation to the contributions received during the fiscal year ended March 31, 2013, liabilities as at March 31, 2013 would have been less by $122 million, revenue would have been greater by $95 million, and the deficit for the year then ended would have been less by $95 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, 2013, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Russ Jones

Victoria, British Columbia
June 28, 2013

Russ Jones, MBA, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2013 ($ 000s)	2012 ($ 000s)
Financial assets			
Cash and cash equivalents	3	25,978	49,635
Due from provincial government and government organizations	4	63,412	56,886
Accounts receivable	5	91	4,670
Investment in government business enterprise	6	137,234	141,847
Other financial assets	7	2,747	55
Derivative instruments	8	402,277	-
Sinking funds	9	1,335,800	1,032,900
		1,967,539	1,285,993
Liabilities			
Due to provincial government and government organizations	10	232,348	195,025
Accounts payable and accrued liabilities	11	107,062	129,914
Debt	12	7,443,139	6,390,621
Public-private partnership obligations	13	957,194	890,095
Deferred capital contributions	14	2,607,638	2,584,122
Deferred revenue	15	232,202	211,307
		11,579,583	10,401,084
Net debt		(9,612,044)	(9,115,091)
Non-financial assets			
Tangible capital assets	16	10,722,668	10,140,932
Other non-financial assets	17	91,047	54,956
		10,813,715	10,195,888
Accumulated surplus		1,201,671	1,080,797

Accumulated surplus is comprised of:			
Accumulated operating surplus		823,899	1,080,797
Accumulated remeasurement gains and losses		377,772	-
		1,201,671	1,080,797

Contractual obligations	18
Contingent liabilities	19

The accompanying notes and schedule 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	2013 Budget ($ 000s)	2013 Actual ($ 000s)	2012 Actual ($ 000s)
Revenue				
Operating revenue				
Dedicated taxes	20	435,000	404,872	425,837
Amortization of deferred capital contributions	14	137,190	138,788	131,844
Other operating revenue	21	61,404	35,502	107,387
Total operating revenue		633,594	579,162	665,068
Interest revenue		50,659	86,214	57,226
Earnings from government business enterprise		14,177	5,486	13,581
		698,430	670,862	735,875
Expenses				
Operating expenses				
Ferry operations		18,477	18,389	36,011
Transit programs		107,020	56,572	97,339
Highway operations		507,827	499,212	446,620
Other programs		49,428	39,092	21,556
Total operating expenses	22	682,752	613,265	601,526
Debt servicing costs	23	314,112	310,607	285,385
		996,864	923,872	886,911
Deficit from operations		(298,434)	(253,010)	(151,036)
Accumulated operating surplus at beginning of year			1,080,797	1,252,945
Accumulated unrealized loss on equity investment				(277)
Accumulated comprehensive loss from government business enterprise				(5,835)
Transfer to the statement of remeasurement gains and losses - note 2(p)			6,112	-
			6,112	(6,112)
Payment to the Province from government business enterprise			(10,000)	(15,000)
Accumulated operating surplus at end of year			823,899	1,080,797

The accompanying notes and schedule 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	2013 Budget ($ 000s)	2013 Actual ($ 000s)	2012 Actual ($ 000s)
Operating deficit for the year	(298,434)	(253,010)	(151,036)
Effect of change in tangible capital assets			
Acquisition of tangible capital assets	(1,068,842)	(1,004,753)	(920,788)
Amortization of tangible capital assets	429,228	415,949	394,546
Asset disposal and adjustments	5,015	7,068	42,193
	(634,599)	(581,736)	(484,049)
Effect of change in investment in government business enterprise			
Payment to the Province from government business enterprise		(10,000)	(15,000)
Other comprehensive loss from government business enterprise		(99)	(3,833)
		(10,099)	(18,833)
Effect of change in fair value adjustments and foreign currency translation			
Equity investments		(11)	(23)
Foreign currency debt		(18,283)	-
Derivative instruments		402,277	-
		383,983	(23)
Effect of change in other non-financial assets		(36,091)	(6,226)
(Increase) in net debt		(496,953)	(660,167)
Net debt at beginning of year		(9,115,091)	(8,454,924)
Net debt at end of year		(9,612,044)	(9,115,091)

The accompanying notes and schedule 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	2013 ($ 000s)
Adjustment upon adoption of new accounting policies - note 2(p)	344,329
Unrealized loss on equity investment	(11)
Other comprehensive loss from government business enterprise	(99)
Unrealized foreign exchange loss	(21,135)
Unrealized gain on derivative instruments	54,688
	33,443
Accumulated remeasurement gains and losses at end of year	377,772

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

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2013 ($ 000s)	2012 ($ 000s)
Operating transactions		
Operating deficit for the year	(253,010)	(151,036)
Amortization of fixed assets	415,949	394,546
Amortization of deferred capital contributions	(138,788)	(131,844)
Asset disposal and write down	1,660	40,013
Earnings from government business enterprise	(5,486)	(13,581)
Costs of properties sold	2,705	2,987
Change in other non-financial assets	(36,091)	(6,226)
Change in operating working capital:		
Due from provincial government	(6,526)	1,217
Accounts receivable	4,579	338
Due to provincial government	37,323	76,258
Accounts payable	(22,852)	27,063
	(537)	239,735
Financing transactions		
Net proceeds from debt issued	1,034,235	667,621
Change in public-private partnership obligations	67,099	52,533
Net additions to deferred capital contributions	162,304	133,427
Change in deferred revenue	20,895	30,516
	1,284,533	884,097
Investing transactions		
Change in sinking fund balance	(302,900)	(235,604)
	(302,900)	(235,604)
Capital transactions		
Addition to tangible capital assets	(1,004,753)	(920,788)
	(1,004,753)	(920,788)
(Decrease) in cash and cash equivalents	(23,657)	(32,560)
Cash and cash equivalents at beginning of year	49,635	82,195
Cash and cash equivalents at end of year	25,978	49,635

Supplemental disclosure of cash flow information	($ 000s)	($ 000s)
Interest paid	301,572	289,382

The accompanying notes and schedule 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 the Board of Directors who may exercise the rights, powers and advantages conferred on them 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 and improve 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 are prepared by management in accordance with Canadian public sector accounting (PSA) standards established by the Canadian Public Sector Accounting Board (PSAB).

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.

c) Cash and cash equivalents:

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.

d) 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 are to be assigned to one of the two measurement categories below:

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

2. Significant accounting policies (continued):

d) Financial instruments (continued):

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.

Equity investments:

BCTFA initially recognizes its equity investments at exchange price plus all related transaction costs. These investments are subsequently re-measured 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 initial contract at inception has no value. These contracts are re-measured at fair value at fiscal year-end using internal models developed from observable market data (Level 2). 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 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 using the effective interest rate method. Interest attributable to financial instruments of these type are reported in the statement of operations.

e) 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, the management, with appropriate authority, commits the entity to selling the assets;
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.

2. Significant accounting policies (continued):

f) Sinking funds:

Sinking funds are recorded at amortized cost with realized gains reported in the statement of operations. These funds are invested in pooled investment portfolios and provincial government and Crown corporation bonds managed by the British Columbia Investment Management Corporation (bcIMC), a Crown corporation of the Province of B.C.

g) 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.

h) 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 owner's costs incurred by BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model embedded in 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 and the corresponding obligations will be paid down over the term of the agreements.

i) 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. Funds received for acquisition of land or for operating purposes are recognized as revenue in the period when authorized and all eligibility criteria are met.

j) Deferred revenue:

Deferred 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.

2. Significant accounting policies (continued):

k) Tangible capital assets:

Tangible capital assets are 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. When substantial completion of a project is attained, capitalization of financing charges during construction ceases.

Depreciable tangible capital assets under construction are not amortized until the assets are available for use. The cost, less residual value of the assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Tangible capital asset	Estimated useful life
Vessels	25 years
Inland ferry terminals	15 - 40 years
Transit infrastructure	15 - 40 years
Highway infrastructure	5 - 40 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Pre-project planning costs are expensed. Work-in-progress project costs are written off in the year it is determined no tangible asset will result.

l) Revenue recognition:

All revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

See note 2(i) for recognition of restricted capital contributions from governments and partners.

m) 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. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

2. Significant accounting policies (continued):

n) 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.

o) Measurement uncertainty:

The presentation of the consolidated financial statements in conformity with PSA standards 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 the useful life of capital assets, rates for amortization, asset impairment and provisions for certain liabilities.

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. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

p) Change of accounting policies:

In fiscal 2012/13, BCTFA adopted the following PSA standards prospectively:

PS 1201 Financial Statement Presentation - This standard establishes general reporting principles that guide the reporting of information in the financial statements to maximize its usefulness. In particular, this standard introduces a new statement of remeasurement gains and losses to report certain changes in the values of financial assets and financial liabilities arising from their remeasurement at current rates and/or fair value. BCTFA adopted this new standard prospectively and prior year's figures have not been restated. Due to the adoption of the new standard, a remeasurement gain of $344 million was recorded on April 1, 2012 in the statement of remeasurement gains and losses. The adjustment amount is made up of the following gains and losses:

2. Significant accounting policies (continued):

p) Change of accounting policies (continued):

Remeasurement gains or losses	April 1, 2012 ($ 000s)
Unrealized gain on derivative instruments	347,589
Unamortized foreign exchange gain	2,852
Unrealized loss on equity investment	(277)
Comprehensive loss from government business enterprise	(5,835)
	344,329

PS 2601 Foreign Currency Translation - This section establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. This standard requires that foreign currency gains or losses resulting from translation at the financial statement date are to be 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 financial assets or liabilities expire or are extinguished. In fiscal 2012/13, BCTFA recorded $21.1 million of unrealized foreign currency losses in the statement of remeasurement gains and losses. Comparative figures in fiscal 2011/12 have not been restated. Those gains or losses were deferred and amortized over the remaining life of the related debt.

PS 3041 Portfolio Investments - This section establishes standards on how to account for and report portfolio investments. BCTFA adopted this standard in the current fiscal and there is no effect on the financial statements due to the change.

PS 3410 Government Transfers - This section establishes standards on how to account for and report monetary assets or tangible capital assets transfer from a government to individuals, organizations and other governments. BCTFA adopted this standard in the current fiscal and there is no impact on the financial statements due to the change.

PS 3450 Financial Instruments - This section establishes standards on how to account for and report all types of financial instruments including derivative instruments. BCTFA adopted this standard in the current fiscal and assigned its financial and assets and liabilities in either the fair value category or the cost or amortized cost category. Due to the change, BCTFA recorded the fair value of all derivative contracts as at March 31, 2013 in the statement of financial position and the statement of remeasurement gains and losses. Comparative figures for derivative instruments have not been restated and were not recorded in the statements. There were no changes to other financial instruments due to the adoption of this standard.

PS 3510 Tax Revenue - This section establishes standards on how to account for and report tax revenue in government financial statements. BCTFA adopted this standard in the current fiscal and there is no impact on the financial statements due to the change.

2. Significant accounting policies (continued):

q) Future accounting policies:

PSAB issued PS 3260 - Liability for Contaminated Sites effective for fiscal periods beginning on or after April 1, 2014. This new standard establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of government. BCTFA will assess and evaluate the new standard and the changes required to comply with PSAB direction.

3. Cash and cash equivalents:

Cash and cash equivalents consist of deposits with banks and investments in money market instruments which are redeemable within a day's notice.

	2013 ($ 000s)	2012 ($ 000s)
Cash	7,259	2,260
Cash equivalents	18,719	47,375
	25,978	49,635

Cash and cash equivalents consist of funds that are for the following purposes:

- $4.5 million (2012 - $6.7 million) is funding received from road users for the Sierra YoYo Desan Road Transition Agreement between BCTFA and the Ministry of Energy and Mines.
- $7.9 million (2012 - $22.9 million) is advance payment from federal government for contributions to various capital projects.

4. Due from provincial government and government organizations:

	2013 ($ 000s)	2012 ($ 000s)
Province of British Columbia	63,343	55,330
Transportation Investment Corporation	69	1,556
	63,412	56,886

Due from the provincial government consists of fuel tax revenue and grants to BCTFA.

5. Accounts receivable:

	2013 ($ 000s)	2012 ($ 000s)
HST rebate from federal government	-	135
Other receivables	91	4,535
	91	4,670

Accounts receivable consists of mainly trade receivables from partners in economic development projects.

6. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in the 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.

A summary of BCRC's financial information for fiscal 2011/12 and 2012/13 can be found in Schedule A.

7. Other financial assets:

	2013 ($ 000s)	2012 ($ 000s)
Equity investments	29	40
Properties held for sale	2,718	15
	2,747	55

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, 2013, BCTFA holds 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(e).

8. 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 has entered into a number of interest rate and currency swap contracts. These contracts expire between fiscal 2013/14 and 2037/38 with a fair value of $396 million for interest rate swaps and $6 million for currency swaps as at March 31, 2013.

9. Sinking funds:

For the year ended March 31, 2013, BCTFA contributed $217.1 million (2012 - $178.8 million) to its sinking fund portfolios. The market value of BCTFA's sinking fund portfolios is $1.481 billion (2012 - $1.192 billion) maturing at various dates to year 2050. The market yield of the portfolios ranges from 1.060% to 3.956% (2012 - 0.969% to 4.012%).

BCTFA has made changes to its sinking fund policy effective April 2, 2013. Refer to note 26 - Subsequent events for details.

10. Due to provincial government and government organizations:

	2013 ($ 000s)	2012 ($ 000s)
Province of British Columbia	231,848	195,025
Transportation Investment Corporation	500	-
	232,348	195,025

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

11. Accounts payable and accrued liabilities:

	2013 ($ 000s)	2012 ($ 000s)
Interest payable	74,002	67,167
HST remittance to federal government	16	-
Other payables and accrued liabilities	33,044	62,747
	107,062	129,914

12. Debt:

For the year ended March 31, 2013, BCTFA acquired $991 million (2012 - $975 million) of new short-term and long-term debt.

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt [1] ($ 000s)	2013 Canadian total ($ 000s)	2012 Canadian total ($ 000s)
Short-term promissory notes.....	2013	-	-	-	335,007
	2014	330,406	-	330,406	-
long-term debt......................	2014	-	39,408	39,408	43,847
	2015	-	-	-	-
	2016	-	304,692	304,692	297,990
	2017	-	-	-	-
	2018	200,000	304,692	504,692	200,000
	2019 - 2023	1,814,678	357,419	2,172,097	1,864,678
	2024 - 2028	407,462	-	407,462	407,462
	2029 - 2033	1,230,000	-	1,230,000	1,030,000
	2034 - 2038	671,490	-	671,490	671,490
	2039 - 2043	1,193,526	-	1,193,526	1,193,526
	2044 - 2048	450,000	-	450,000	250,000
	2049 - 2053	92,000	-	92,000	92,000
Total debt issued		6,389,562	1,006,211	7,395,773	6,386,000
Unamortized premium				47,366	4,621
				7,443,139	6,390,621
The effective interest rates of the above debt as at March 31 range between:				0.92% - 7.97%	0.81% - 7.98%

[1] As at March 31, 2013, BCTFA has US$ 990.7 million (2012 - US$ 389.3 million) debt outstanding.

12. Debt (continued):

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

	Principal repayment ($ 000s)
2014	390,430
2015	-
2016	300,000
2017	-
2018	497,590
and thereafter	6,207,656

The Minister of Finance is the fiscal agent of BCTFA. Debt acquired through the provincial government's fiscal agency loan program carries a provincial guarantee. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget.

13. Public-private partnership obligations:

BCTFA has entered into the following public-private partnership contracts to design, build, finance and operate (DBFO) certain transportation infrastructure. The information presented below shows the outstanding balance of the capital obligations under these contracts as at March 31, 2013. Futures payments for the operating and/or capital components of these contracts are disclosed under contractual obligations in note 18.

Project	Interest rate (%)	Contract type	Contract term (Years)	Capital obligations 2013 ($ 000s)	Capital obligations 2012 ($ 000s)
Evergreen Line Rapid Transit Project	4.42	DBF	3.5	31,953	-
South Fraser Perimeter Road	8.81	DBFO	20	178,133	124,208
Kicking Horse Canyon Park Bridge	7.40	DBFO	25	67,860	69,691
Sea-to-Sky Highway Corridor	7.52	DBFO	25	506,337	520,530
William R. Bennett Bridge	7.88	DBFO	30	172,911	175,666
				957,194	890,095

13. 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)
2014	21,018
2015	24,722
2016	62,427
2017	36,690
2018	40,766
and thereafter	771,571

14. 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, 2012 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2013 balance ($ 000s)
Provincial government	1,451,448	216	(111,578)	1,340,086
Federal government	1,060,170	146,451	(24,341)	1,182,280
Municipal government	31,400	3,586	(1,202)	33,784
Other partners	41,104	12,051	(1,667)	51,488
	2,584,122	162,304	(138,788)	2,607,638

In 2012, BCTFA signed the Evergreen Line funding and support agreement with the South Coast British Columbia Transportation Authority (TransLink). As a result of the new funding arrangement, contributions from TransLink and other partners since April 1, 2012 were reclassified as deferred revenue. Refer to note 15 for more details.

15. Deferred revenue:

	April 1, 2012 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2013 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	62,648	-	(1,229)	61,419
Port Mann Highway 1 Bridge (PMH1) Project land licence	126,437	(3,161)	(396)	122,880
Evergreen Line Rapid Transit Project	22,200	25,703	-	47,903
Other deferred revenue	22	-	(22)	-
	211,307	22,542	(1,647)	232,202

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 Bridge Project 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 Port Mann Highway 1 Bridge Project (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 licencing fee on a straight line basis over approximately 77 years. In fiscal 2012/13, TI Corp prepaid $3.8 million of the land licensing fee and received a credit of $6.9 million for the unused portion of land acquired earlier for the PMH1 project.

Evergreen Line Rapid Transit Project:

The Evergreen Line Rapid Transit Project (the "Line") is funded by BCTFA, the Government of Canada, TransLink and other partners. The Line will link neighbourhoods in Burnaby, Port Moody and Coquitlam and will be fully integrated into the existing skytrain system. In 2012, BCTFA signed the funding and support agreement with TransLink of which TransLink and other partners will contribute a total of $428 million to the project. TransLink and other partners will make periodic contributions during the construction period and at substantial completion of the project, part of the Evergreen Line infrastructure will be transferred to TransLink. Contributions from TransLink and other partners will be recognized as revenue at the time of the transfer.

16. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold and improve 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. 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.

Cost	April 1, 2012 balance ($ 000s)	Additions ($ 000s)	Transfer / Disposals ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	11,241,838	576,912	(99)	11,818,651
Transit exchanges and park & ride facilities	3,642	57,551	-	61,193
Inland ferry terminals and facilities	22,074	2	-	22,076
Vessels	32,686	-	-	32,686
Land [2]	1,643,919	50,869	(5,425)	1,689,363
Capital projects in progress	1,025,417	319,419	(1,603)	1,343,233
	13,969,576	1,004,753	(7,127)	14,967,202

Accumulated amortization	April 1, 2012 balance ($ 000s)	Amortization ($ 000s)	Transfer / Disposals ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	(3,812,074)	(413,651)	59	(4,225,666)
Transit exchanges and park & ride facilities	-	(106)	-	(106)
Inland ferry terminals and facilities	(1,660)	(760)	-	(2,420)
Vessels	(14,910)	(1,432)	-	(16,342)
	(3,828,644)	(415,949)	59	(4,244,534)

Net book value	April 1, 2012 balance ($ 000s)	March 31, 2013 balance ($ 000s)
Highway infrastructure [1]	7,429,764	7,592,985
Transit exchanges and park & ride facilities	3,642	61,087
Inland ferry terminals and other facilities	20,414	19,656
Vessels	17,776	16,344
Land [2]	1,643,919	1,689,363
Capital projects in progress	1,025,417	1,343,233
	10,140,932	10,722,668

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

[2] Land actively marketed for sale within the next 12 months from the date of these financial statements is reclassified under Other financial assets - Properties held for sale.

16. Tangible capital assets (continued):

Cost	April 1, 2011 balance ($ 000s)	Additions ($ 000s)	Transfer / Disposals ($ 000s)	March 31, 2012 balance ($ 000s)
Highway infrastructure [1]	10,454,004	788,037	(203)	11,241,838
Transit exchanges and park & ride facilities	-	3,642	-	3,642
Inland ferry terminals and other facilities	4,598	17,476	-	22,074
Vessels	32,686	-	-	32,686
Land [2]	1,568,124	78,805	(3,010)	1,643,919
Capital projects in progress	1,031,681	33,635	(39,899)	1,025,417
	13,091,093	921,595	(43,112)	13,969,576

Accumulated amortization	April 1, 2011 balance ($ 000s)	Amortization ($ 000s)	Transfer / Disposals ($ 000s)	March 31, 2012 balance ($ 000s)
Highway infrastructure [1]	(3,419,558)	(392,628)	112	(3,812,074)
Transit exchanges and park & ride facilities	-	-	-	-
Inland ferry terminals and other facilities	(1,186)	(474)	-	(1,660)
Vessels	(13,466)	(1,444)	-	(14,910)
	(3,434,210)	(394,546)	112	(3,828,644)

Net book value	April 1, 2011 balance ($ 000s)	March 31, 2012 balance ($ 000s)
Highway infrastructure [1]	7,034,446	7,429,764
Transit exchanges and park & ride facilities	-	3,642
Inland ferry terminals and other facilities	3,412	20,414
Vessels	19,220	17,776
Land [2]	1,568,124	1,643,919
Capital projects in progress	1,031,681	1,025,417
	9,656,883	10,140,932

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

[2] Land actively marketed for sale within the next 12 months from the date of these financial statements is reclassified under Other financial assets - Properties held for sale.

17. Other non-financial assets:

Other non-financial assets are deferred debt issue costs and prepaid capital charges. Deferred debt issue costs are deferred and amortized using the effective interest rate method over the term of the related debt. Prepaid capital charges are re-classified as tangible capital asset in construction as the related capital projects progress.

	2013 ($ 000s)	2012 ($ 000s)
Deferred debt issue costs	55,410	54,956
Prepaid capital charges	35,637	-
	91,047	54,956

18. Contractual obligations:

Information presented below under public-private partnerships are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations include payments to operate certain transportation infrastructure in use and progress payments for capital projects in progress. Capital obligations resulted from the public-private partnership contracts are disclosed in note 13. Operating payments to concessionaires are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements.

($ millions)	Contract end date	2014	2015	2016	2017	2018	Future payments
Public-private partnership contracts:							
Evergreen Line Rapid Transit Project	2016	336.8	355.7	131.3	-	-	-
Sea-to-Sky Highway Corridor	2030	51.0	50.5	50.0	49.3	48.7	534.9
Kicking Horse Canyon Park Bridge	2030	6.1	6.0	5.9	5.8	6.3	103.6
South Fraser Perimeter Road	2035	105.6	26.2	23.4	22.1	21.7	362.5
William R. Bennett Bridge	2035	17.4	17.3	17.1	16.9	16.7	232.7
Canada Line performance payments	2040	19.3	19.3	19.3	19.3	19.3	423.2
Other commitments		208.6	12.3	4.9	3.4	0.2	0.3
		744.8	487.3	251.9	116.8	112.9	1,657.2

19. Contingent liabilities:

The nature of BCTFA's activities is such that there may be expropriation, construction and other claims pending. BCTFA reviews all potential claims on an annual basis and accrues estimated settlement expenses, based on historical settlement amounts and the likelihood of the future events, in accordance with PSA standards.

As at March 31, 2013, contingent liabilities of $132 million (2012 - $145 million) remain after deducting the estimated settlement expenses currently accrued from gross claims outstanding for capital projects. Included in the provision for contingent liabilities is $108 million (2012 - $125 million) related to claims due to land expropriation.

20. Dedicated taxes:

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 new *Provincial Sales Tax Act* commencing April 1, 2013, BCTFA will receive a car rental tax of $1.50 per car rental day.

21. Other operating revenues:

Other operating revenues consist of the following:

	2013 ($ 000s)	2012 ($ 000s)
Contributions from provincial and federal governments	30,143	77,320
Net revenue from property sales	506	25,877
Rental and leases	3,502	3,014
Miscellaneous revenues	1,351	1,176
	35,502	107,387

22. Operating expenses:

Operating expenses by group account classification:

	2013 ($ 000s)	2012 ($ 000s)
Amortization expense	415,949	394,546
Grants	86,256	90,887
Operating costs	71,060	60,223
Other program costs	32,767	9,676
Administration expense	5,573	6,181
Asset write-down and disposal	1,660	40,013
	613,265	601,526

23. Debt servicing costs:

	2013 ($ 000s)	2012 ($ 000s)
Interest on debt and public-private partnership obligations	338,252	310,215
Interest capitalized	(29,846)	(16,065)
	308,406	294,150
Amortization of debt premium, discount and issue costs	2,201	(2,865)
Realized gain on foreign exchange	-	(5,900)
	310,607	285,385

24. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2012/13 - 2014/15 Ministry of Transportation and Infrastructure service plan and the Province's 2012/13 - 2014/15 budget and fiscal plan.

25. Risk management:

a) Interest rate risk:

BCTFA is exposed to changes in interest rates of its variable-rate long-term debt. Based on BCTFA's target debt ratio policy, interest rate exposure for long-term debt is limited to a maximum of 40% of its debt portfolio. As at March 31, 2013, 31.3% (2012 - 28.4%) of BCTFA's debt is variable-rate debt. A 0.25% change in interest rates will have a financial impact of $4.9 million (2012 - $3.7 million) to BCTFA's future net income 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 at the best interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into cross-currency swaps to offset the currency risk.

As at March 31, 2013, BCTFA has US$ 990.7 million (2012 - US$ 389.3 million) debt outstanding. The foreign exchange risk of these debt issues is fully offset by cross-currency swaps BCTFA entered.

25. Risk management (continued):

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.

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.

26. Subsequent events:

On April 2, 2013, BCTFA entered into an agreement with the Province, as represented by the Minister of Finance, to make the following sinking fund policy changes:

- No sinking funds are to be established on or after April 2, 2013 for repayment of existing loans or future loans.
- The terms and conditions of sinking funds established for repayment of existing loans are changed so that BCTFA is not required to make any further payments into those funds on or after April 2, 2013.
- Over such time period after April 2, 2013, the existing sinking funds are to be dissolved, their assets liquidated and the resulting proceeds from liquidation are to be returned to BCTFA.

On April 4, 2013, all BCTFA's sinking fund portfolios were liquidated and the resulting proceeds have been returned to the entity. BCTFA plans to use the resulting proceeds to finance future capital projects and to redeem some of its existing loans.

On April 30, 2013, BCTFA redeemed $200 million of its existing loan with the Province.

27. 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.

28. Comparative change:

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

Government business enterprise condensed supplementary financial information

Consolidated Financial Statements of British Columbia Railway Company

Consolidated Statement of Financial Position **As at March 31**	2013 ($ 000s)	2012 ($ 000s)
Financial assets		
Cash and cash equivalents	131,395	140,856
Trade and other receivables	107,019	94,556
Materials and other items	926	766
	239,340	236,178
Liabilities		
Trade and other payables and provisions	200,318	185,306
Employee benefits	2,331	1,963
Deferred lease revenue	32,832	33,711
	235,481	220,980
Net debt	3,859	15,198
Non-financial assets		
Investment property	133,133	126,636
Property and equipment	242	13
	133,375	126,649
Accumulated surplus	137,234	141,847

Consolidated Statement of Comprehensive Income **For the year ended March 31**	2013 ($ 000s)	2012 ($ 000s)
Revenue	23,924	29,543
Expenses	18,438	15,962
Annual surplus	5,486	13,581
Other comprehensive loss	(99)	(3,833)
Total comprehensive income	5,387	9,748