

**Consolidated Financial Statements
of**

**BC TRANSPORTATION
FINANCING AUTHORITY**

Year ended March 31, 2016

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2016

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.

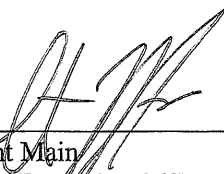
The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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.

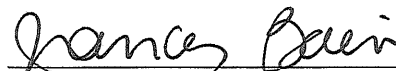
The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management 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



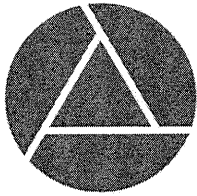
Grant Main
Chief Executive Officer

Date: July 19, 2016



Nancy Bain
Executive Financial Officer
and Corporate Secretary

Date: July 19, 2016



INDEPENDENT AUDITOR'S REPORT

*To the Board of Governors of the 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 the BC Transportation Financing Authority ("the entity"), which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net debt, cash flows, and remeasurement gains and losses 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 treatment 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.

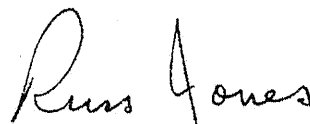
Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received 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 \$3,497 million, an understatement of accumulated surplus of \$2,337 million, and a current year understatement of revenue of \$1,160 million. Accordingly, the current year deficit is overstated by \$1,160 million and net debt is overstated by \$3,497 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 the BC Transportation Financing Authority as at March 31, 2016, 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.

Victoria, British Columbia
July 25, 2016


Russ Jones, FCPA, FCA
Deputy Auditor General

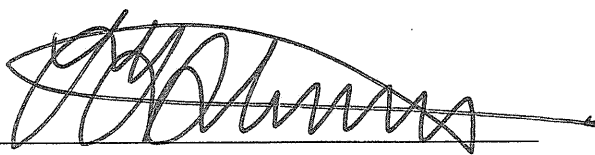


BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2016 (\$ 000s)	2015 (\$ 000s)
Financial assets:			
Cash and cash equivalents	4	56,705	44,242
Due from government and government organizations	5	43,960	34,273
Accounts receivable		21	1
Investment in government business enterprise	6	136,231	134,488
Other financial assets	7	11,860	9,228
Derivative instruments	8	659,052	694,275
		<u>907,829</u>	<u>916,507</u>
Liabilities:			
Due to government and government organizations	9	158,114	155,511
Accounts payable and accrued liabilities	10	152,206	133,080
Debt	11	8,132,834	7,491,548
Public-private partnership obligations	12	1,158,974	1,130,010
Deferred capital contributions	13	3,928,245	2,651,828
Deferred revenue	14	474,241	396,460
		<u>14,004,614</u>	<u>11,958,437</u>
Net debt		<u>(13,096,785)</u>	<u>(11,041,930)</u>
Non-financial assets:			
Tangible capital assets	15	13,539,824	11,689,932
Other non-financial assets	16	2,648	24,257
		<u>13,542,472</u>	<u>11,714,189</u>
Accumulated surplus		<u>445,687</u>	<u>672,259</u>
Accumulated surplus is comprised of:			
Accumulated annual (deficit) surplus		(5,650)	249,574
Accumulated remeasurement gains		451,337	422,685
		<u>445,687</u>	<u>672,259</u>
Contractual obligations	17		
Contingent liabilities	18		

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 24) (\$ 000s)	2016 (\$ 000s)	2015 (\$ 000s)
Revenue:				
Tax revenue:				
Motor fuel tax	19	413,000	440,492	408,695
Car rental tax	19	6,500	6,500	14,000
Total tax revenue		419,500	446,992	422,695
Amortization of deferred capital contributions	13	146,032	168,371	146,570
Operating revenue	20	54,387	29,382	33,064
Earnings from government business enterprise	6	5,121	5,531	4,909
		<u>625,040</u>	<u>650,276</u>	<u>607,238</u>
Expenses:				
Operating expenses:				
Highway operations		557,093	540,771	533,687
Transit programs		111,439	91,135	81,399
Ferry operations		17,961	16,656	14,859
Other programs		56,106	61,766	24,895
Total operating expenses	21	742,599	710,328	654,840
Debt servicing costs	22	363,239	342,397	333,281
		<u>1,105,838</u>	<u>1,052,725</u>	<u>988,121</u>
Deficit from operations		<u>(480,798)</u>	(402,449)	(380,883)
Government restructure - gain on assets and liabilities transfer	23		119,758	-
Government restructure - recognition of non-deferrable capital contributions	13		27,467	-
Payment from government business enterprise to the province	6		-	(3,500)
Annual deficit			<u>(255,224)</u>	<u>(384,383)</u>
Accumulated annual surplus at beginning of year			249,574	633,957
Accumulated annual (deficit) surplus at end of year			<u>(5,650)</u>	<u>249,574</u>

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 24) (\$ 000s)	2016 (\$ 000s)	2015 (\$ 000s)
Annual deficit	(480,798)	(255,224)	(384,383)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(941,605)	(867,487)	(821,886)
Amortization of tangible capital assets	448,928	470,661	445,779
Asset write-off, disposal and other adjustments	2,000	5,188	7,871
Net additions of tangible capital assets due to government restructure (note 23)	-	(1,458,254)	-
	<u>(490,677)</u>	<u>(1,849,892)</u>	<u>(368,236)</u>
Effect of change in investment in government business enterprise:			
Other comprehensive loss		(97)	(1,216)
		<u>(97)</u>	<u>(1,216)</u>
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		(23)	(63)
Foreign currency translation		63,995	(155,162)
Derivative instruments		(35,223)	294,145
		<u>28,749</u>	<u>138,920</u>
Effect of change in other non-financial assets		21,609	6,390
(Increase) in net debt		<u>(2,054,855)</u>	<u>(608,525)</u>
Net debt at beginning of year		(11,041,930)	(10,433,405)
Net debt at end of year		<u>(13,096,785)</u>	<u>(11,041,930)</u>

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	2016 (\$ 000s)	2015 (\$ 000s)
Accumulated remeasurement gains at beginning of year	422,685	284,981
Unrealized gains and losses:		
Unrealized (loss) on equity investments	(23)	(63)
Unrealized foreign exchange (loss) on debt	(7,701)	(155,162)
Unrealized net gain on periodic derivative instrument payments	88,307	346,319
	<u>80,583</u>	<u>191,094</u>
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	(53,844)	(52,174)
	<u>(51,834)</u>	<u>(52,174)</u>
Unrealized comprehensive (loss) from government business enterprise	(97)	(1,216)
Accumulated remeasurement gains at end of year	<u><u>451,337</u></u>	<u><u>422,685</u></u>

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	2016 (\$ 000s)	2015 (\$ 000s)
Operating activities:		
Annual deficit	(255,224)	(384,383)
Items not involving cash:		
Amortization of tangible capital assets	470,661	445,779
Amortization of deferred capital contributions	(168,371)	(146,570)
Amortization of debt premium, discount and issue cost	(366)	1,221
Cost of properties sold (other financial assets)	1,776	2,048
Earnings from government business enterprise	(5,531)	(4,909)
Change in operating working capital:		
Due from government and government organizations	(9,687)	3,309
Accounts receivable	(20)	2,543
Due to government and government organizations	2,603	(84,742)
Accounts payable and accrued liabilities	19,126	(3,483)
	<u>54,967</u>	<u>(169,187)</u>
Financing activities:		
Debt issued	1,052,533	427,379
Debt retired	(348,896)	-
Realized foreign exchange loss on maturity of debt	71,696	-
Realized (gain) on maturity of derivative instruments	(69,686)	-
Change in public-private partnership obligations	28,964	89,048
Additions to deferred capital contributions	132,827	183,367
Additions to deferred capital contributions due to government restructure (note 13)	1,339,428	-
Deferred capital contributions recognized as gain on government restructure (note 13)	(27,467)	-
Change in deferred revenue	77,781	89,159
	<u>2,257,180</u>	<u>788,953</u>
Investing activities:		
Payment from government business enterprise to the province	-	3,500
Payment from government business enterprise to BCTFA	3,691	1,004
	<u>3,691</u>	<u>4,504</u>
Capital activities:		
Addition to tangible capital assets	(867,487)	(821,886)
Net additions of tangible capital assets due to government restructure (note 23)	(1,458,254)	-
Tangible capital asset written off or disposed	115	6,587
Costs of tangible capital asset sold	642	73
Change in other non-financial assets	21,609	6,390
	<u>(2,303,375)</u>	<u>(808,836)</u>
Increase (Decrease) in cash and cash equivalents	<u>12,463</u>	<u>(184,566)</u>
Cash and cash equivalents at beginning of year	44,242	228,808
Cash and cash equivalents at end of year	<u>56,705</u>	<u>44,242</u>
Supplemental disclosure of cash flow information:		
Interest paid	334,127	330,568

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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	25 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	5 - 40 years
Transit infrastructure	15 - 100 years
Building and improvements	15 - 90 years

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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 are less than their net book value. The net write-downs are accounted for as expenses 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:

Contaminated sites are a result of contamination being introduced into air, soil, water and sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies (continued):

m) Liability for contaminated sites (continued):

The nature of BCTFA's activities sometime leads to the ownership of certain contaminated sites. BCTFA estimates and recognizes a liability for productive and non-productive contaminated sites when all of the following criteria are met:

- i) an environmental standard exist;
- ii) contamination exceeds the environmental standard;
- iii) BCTFA is directly responsible or accepts responsibility;
- iv) it is expected that future economic benefits will be given up; and
- v) a reasonable estimate of the amount can be made.

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. 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. Change in accounting policy:

In June 2015, the Public Sector Accounting Board (PSAB) issued a new standard PS 3430 - Restructuring Transactions which applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018 and allowing for earlier adoption. This policy establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

BCTFA elected to early adopt PS 3430 - Restructuring Transactions in this fiscal and applied the policy prospectively with no restatement of prior periods.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

4. Cash and cash equivalents:

	2016 (\$ 000s)	2015 (\$ 000s)
Cash	50,089	16,749
Cash equivalents	6,616	27,493
	56,705	44,242

Included in cash and cash equivalents are:

- \$2.9 million (2015 - \$4.5 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.
- \$0 million (2015 - \$2.9 million) advance payment from the federal government for contributions to various projects.

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

5. Due from government and government organizations:

	2016 (\$ 000s)	2015 (\$ 000s)
Province of British Columbia	41,169	34,100
Transportation Investment Corporation	2,791	173
	43,960	34,273

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

6. 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.

	2016 (\$ 000s)	2015 (\$ 000s)
Investment in BCRC at beginning of year	134,488	135,299
Earnings for the year	5,531	4,909
Comprehensive loss	(97)	(1,216)
Payment to the Province	-	(3,500)
Payment to BCTFA	(3,691)	(1,004)
	1,743	(811)
Investment in BCRC at end of year	136,231	134,488

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	2016 (\$ 000s)	2015 (\$ 000s)
Financial assets	251,595	245,105
Liabilities	(275,160)	(257,753)
Net (debt) assets	(23,565)	(12,648)
Non financial assets	159,796	147,136
Accumulated surplus	136,231	134,488

Consolidated Statement of Comprehensive Income For the year ended March 31	2016 (\$ 000s)	2015 (\$ 000s)
Revenue	21,920	20,339
Expenses	(16,389)	(15,430)
Annual operating surplus	5,531	4,909
Other comprehensive loss	(97)	(1,216)
Total comprehensive income	5,434	3,693

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

7. Other financial assets:

	2016 (\$ 000s)	2015 (\$ 000s)
Equity investments	51	74
Properties held for sale	11,809	9,154
	11,860	9,228

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, 2016, BCTFA holds 28,250 shares (2015 - 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).

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 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 \$441 million (2015 - \$425 million) for interest rate swaps and \$218 million (\$269 million) for currency swaps as at March 31, 2016.

BCTFA entered into two new derivative contracts this fiscal (2015 - no new contract entered) and two derivative contracts expired during the year (2015 - no contract expired).

9. Due to government and government organizations:

	2016 (\$ 000s)	2015 (\$ 000s)
Province of British Columbia	158,114	155,435
Rapid Transit Project 2000 Ltd.	-	76
	158,114	155,511

Due to the provincial government is mainly capital project payments and accrued liabilities for expropriation, construction and other claims.

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Notes to Consolidated Financial Statements

For the year ended March 31, 2016

10. Accounts payable and accrued liabilities:

	2016 (\$ 000s)	2015 (\$ 000s)
Interest payable	78,328	71,703
Liabilities for contaminated sites	49,550	37,608
Other payables and accrued liabilities	24,288	23,744
GST remittance to the federal government	40	25
	152,206	133,080

11. Debt:

	Year of maturity	Canadian currency debt (\$ 000s)	(Canadian equivalent) Foreign currency debt ¹ (\$ 000s)	2016 Canadian total (\$ 000s)	2015 Canadian total (\$ 000s)
Promissory notes	2016	-	-	-	224,810
	2017	175,914	-	175,914	-
Debt	2016	-	-	-	300,000
	2017	-	-	-	-
	2018	200,000	297,590	497,590	497,590
	2019	180,000	-	180,000	180,000
	2020	450,000	-	450,000	450,000
	2021	308,823	-	308,823	164,350
	2022 - 2026	1,792,359	448,500	2,240,859	1,796,290
	2027 - 2031	732,000	-	732,000	732,000
	2032 - 2036	699,490	-	699,490	699,490
	2037 - 2041	1,343,526	-	1,343,526	1,343,526
	2042 - 2046	750,000	-	750,000	750,000
	2047 - 2051	592,000	-	592,000	92,000
Total debt issued		7,224,112	746,090	7,970,202	7,230,056
Unrealized foreign exchange loss on debt				199,239	261,224
Unamortized debt premium, discount and issue cost				(36,607)	268
				8,132,834	7,491,548
The effective interest rates of the above debt as at March 31 range between:				0.54% - 7.97%	0.71% - 7.97%

¹ As at March 31, 2016, BCTFA has \$652 million US dollar debt (2015 - \$952 million) and \$67.5 million Euro dollar debt (2015 - \$0) outstanding.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

11. Debt (continued):

BCTFA acquired \$1,053 million debt (2015 - \$427 million) and retired \$349 million debt during the year (2015 - \$0).

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

Principal repayment in Canadian currency (\$ 000s)	
2017	175,914
2018	497,590
2019	180,000
2020	450,000
2021	308,823
and thereafter	6,357,875

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.

12. 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. Upon completion of the project, the Evergreen Line will be operated by the South Coast British Columbia Transportation Authority (TransLink) and the related P3 contract ends.

The information presented below shows the outstanding balance of the capital obligations under these contracts. Future payments for the operating and capital components of these contracts are disclosed under contractual obligations in note 17.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital obligations 2016 (\$ 000s)	Capital obligations 2015 (\$ 000s)
Evergreen Line Rapid Transit Project	Work-in-progress	4.42	DBF	3.5	299,320	240,502
South Fraser Perimeter Road	Completed	9.16	DBFO	20	178,172	184,482
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	61,485	63,769
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	456,777	474,550
William R. Bennett Bridge	Completed	7.88	DBFO	30	163,220	166,707
					1,158,974	1,130,010

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Notes to Consolidated Financial Statements

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12. 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)
2017	335,400
2018	40,200
2019	31,707
2020	26,931
2021	37,408
and thereafter	687,328

13. Deferred capital contributions:

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 a total of \$1,339 million of unamortized deferred capital contributions (DCC) to BCTFA. After the transfer, \$27 million of the BC Transit unamortized deferred capital contributions previously contributed by BCTFA was recognized as revenue.

	April 1, 2015 balance (\$ 000s)	Net additions (\$ 000s)	Bill 2 - DCC Transfer (\$ 000s)	Recognition of non- deferrable DCC (\$ 000s)	Transfer to revenue (\$ 000s)	March 31, 2016 balance (\$ 000s)
Provincial government	1,127,824	-	1,307,292	(27,467)	(127,842)	2,279,807
Federal government	1,423,227	130,391	32,136	-	(36,120)	1,549,634
Municipal government	37,011	2,279	-	-	(1,936)	37,354
Other partners	63,766	157	-	-	(2,473)	61,450
	2,651,828	132,827	1,339,428	(27,467)	(168,371)	3,928,245

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14. Deferred revenue:

	April 1, 2015 balance (\$ 000s)	Net additions (\$ 000s)	Transfer to revenue (\$ 000s)	March 31, 2016 balance (\$ 000s)
British Columbia Ferry Services Inc. terminal lease	58,962	-	(1,228)	57,734
Port Mann Highway 1 Bridge (PMH1) Project land licence	122,394	2,919	(1,751)	123,562
Evergreen Line Rapid Transit Project	214,688	78,099	-	292,787
Other deferred revenue	416	124	(382)	158
	396,460	81,142	(3,361)	474,241

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 licensing fee on a straight line basis over approximately 77 years. In fiscal 2015/16, TI Corp prepaid \$4.2 million (2015 - \$4.3 million) of the land licensing fee and received \$1.3 million surplus land credit (2015 - \$0) 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 the 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 \$421 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.

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15. 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.

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 a net book value of \$1,458 million transit infrastructure and land to BCTFA.

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 and Expo Line skytrain systems and West Coast Express. These 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 in March 2017 for the Millennium Line and in January 2018 for the 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, 2016 is \$1,467 million.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

15. 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)	Reclass / 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 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.

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Notes to Consolidated Financial Statements

For the year ended March 31, 2016

15. Tangible capital assets (continued):

Cost	April 1, 2014 balance (\$ 000s)	Addition (\$ 000s)	Transfer (\$ 000s)	Reclass ³ / Disposal (\$ 000s)	March 31, 2015 balance (\$ 000s)
Highway infrastructure ¹	13,352,720	-	497,341	(64,684)	13,785,377
Transit infrastructure ²	65,747	-	-	-	65,747
Ferry terminals and facilities	23,614	-	-	-	23,614
Vessels	32,686	-	29,694	-	62,380
Building and improvements	49,243	-	8,465	-	57,708
Land ³	1,718,239	24,628	(1,211)	(73)	1,741,583
Capital projects in progress ⁴	741,403	797,258	(535,500)	(6,431)	996,730
	15,983,652	821,886	(1,211)	(71,188)	16,733,139
Accumulated amortization	April 1, 2014 balance (\$ 000s)	Amortization (\$ 000s)	Transfer (\$ 000s)	Reclass / Disposal (\$ 000s)	March 31, 2015 balance (\$ 000s)
Highway infrastructure ¹	(4,635,945)	(439,698)	-	64,528	(5,011,115)
Transit infrastructure ²	(1,891)	(1,918)	-	-	(3,809)
Ferry terminals and facilities	(3,959)	(983)	-	-	(4,942)
Vessels	(17,759)	(1,826)	-	-	(19,585)
Building and improvements	(2,402)	(1,354)	-	-	(3,756)
	(4,661,956)	(445,779)	-	64,528	(5,043,207)
Net book value	April 1, 2014 balance (\$ 000s)				March 31, 2015 balance (\$ 000s)
Highway infrastructure ¹	8,716,775				8,774,262
Transit infrastructure ²	63,856				61,938
Ferry terminals and facilities	19,655				18,672
Vessels	14,927				42,795
Building and improvements	46,841				53,952
Land ³	1,718,239				1,741,583
Capital projects in progress ⁴	741,403				996,730
	11,321,696				11,689,932

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.

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16. Other non-financial assets:

Other non-financial assets are prepaid capital charges which will be reclassified as tangible capital asset in construction as the related capital projects progress.

17. 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 include payments to operate certain transportation infrastructure in use and progress payments for capital projects in progress. Capital obligations resulting from the public-private partnership contracts are disclosed in note 12. Operating payments to P3 concessionaires are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements.

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 are BCTFA's commitments to Canada Line operating payments. These payments are also contingent on specific performance criteria being met.

(\$ millions)	Contract end date	2017	2018	2019	2020	2021	Future payments
Public-private partnership (P3) projects:							
Evergreen Line Rapid Transit Project							
P3 contract	2017	76.6	-	-	-	-	-
Direct procurement	2017	41.2	0.1	-	-	-	-
Sea-to-Sky Highway Corridor	2030	50.3	49.6	48.8	48.3	47.0	404.5
Kicking Horse Canyon Projects	2030	7.6	8.4	8.7	8.9	9.3	102.5
South Fraser Perimeter Road	2035	22.8	22.2	30.1	33.8	24.9	281.7
William R. Bennett Bridge	2035	16.9	16.7	16.5	16.3	16.0	183.8
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	365.5
Other commitments		206.7	25.4	2.5	1.3	-	-
		441.4	141.7	125.9	127.9	116.5	1,338.0

18. 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 PSAS.

As at March 31, 2016, BCTFA has unrecorded contingent liabilities of \$146 million (2015 - \$120 million) of which \$137 million (2015 - \$104 million) of those liabilities are related to expropriation claims.

19. 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.

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20. Operating revenue:

Operating revenue consists of the following:

	2016 (\$ 000s)	2015 (\$ 000s)
Net revenue from property sales	14,396	10,554
Rental and leases	8,718	8,579
Grants from the Province	4,500	12,671
Miscellaneous revenue	1,768	1,260
	29,382	33,064

21. Operating expenses:

Operating expenses by group account classification:

	2016 (\$ 000s)	2015 (\$ 000s)
Amortization expense	470,661	445,779
Grants	99,064	83,173
Operating costs	81,846	75,465
Other costs	52,758	37,761
Administration expense	5,884	6,075
Asset write-down and disposal	115	6,587
	710,328	654,840

22. Debt servicing costs:

	2016 (\$ 000s)	2015 (\$ 000s)
Interest on debt and public-private partnership obligations	403,429	394,788
Interest capitalized	(8,832)	(10,554)
	394,597	384,234
Amortization of debt premium, discount and issue cost	(366)	1,221
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	(53,844)	(52,174)
	342,397	333,281

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Notes to Consolidated Financial Statements

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23. 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.

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	-	-	-	-	-	-	-

24. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2015/16 - 2017/18 Ministry of Transportation and Infrastructure service plan and the Province's 2015/16 - 2017/18 budget and fiscal plan.

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Notes to Consolidated Financial Statements

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25. 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, 2016, 25.84% (2015 - 32.2%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of \$4.4 million (2015 - \$4.9 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, 2016, BCTFA has \$652 million US dollar debt (2015 - \$952 million) and \$67.5 million Euro dollar debt (2015 - \$0) 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.

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25. 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.

26. 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.

27. Comparative figures:

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

