Financial Statements of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2010

MANAGEMENT REPORT

The financial statements of the BC Transportation Financing Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the financial statements and has established systems of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of the financial statements.

The Director is responsible for the review and approval of the financial statements and meets with management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Director with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the BC Transportation Financing Authority.

Nancy Bain

Peter Milburn
Chief Executive Officer

Nancy Bain
Executive Financial Officer
and Corporate Secretary

Report of the Auditor General of British Columbia

To the Minister of Transportation and Infrastructure,
Director of the BC Transportation Financing Authority:

I have audited the balance sheet of *BC Transportation Financing Authority* as at March 31, 2010, and the statements of income, comprehensive income, owner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *BC Transportation Financing Authority* as at March 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
June 10, 2010

John Doyle, MBA, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Balance Sheet

As at March 31	2010	2009
		(note 31)
	($ 000s)	($ 000s)
Assets		
Current assets		
Cash and temporary investments (note 3)	104,010	120,403
Marketable securities (note 4)	77	56
Accounts receivable (note 5)	61,386	38,660
	165,473	159,119
Long-term receivables (note 5)	4,063	3,980
Derivative instruments (note 6)	151,643	275,711
Sinking funds (note 7)	659,569	546,363
Fixed assets (note 8)	8,998,619	8,465,005
	9,979,367	9,450,178
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	137,396	129,171
Obligation under capital lease (note 10)	808	809
Capital debt (note 7)	339,818	330,522
Public-private partnership obligations (note 11)	16,151	13,605
Interest payable	54,280	49,106
	548,453	523,213
Long-term payables and accrued liabilities (note 9)	29,344	25,505
Long-term obligation under capital lease (note 10)	2,049	2,856
Long-term portion of capital debt (note 7)	4,652,141	3,973,137
Long-term public-private partnership obligations (note 11)	783,303	761,928
Deferred revenue (note 12)	133,155	106,621
Deferred capital contributions (note 13)	2,389,795	2,317,655
	8,538,240	7,710,915
Equity		
Retained earnings	902,868	1,195,515
Accumulated other comprehensive income (note 14)	24,090	28,059
Contributed surplus (note 13)	514,169	515,689
	1,441,127	1,739,263
	9,979,367	9,450,178

Contractual obligations (note 24)
Contingencies (note 25)

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

On behalf of the board:

Shirley Bond

Director

BC TRANSPORTATION FINANCING AUTHORITY
Income Statement

Year ended March 31	2010	2009
		(note 31)
	($ 000s)	($ 000s)
Revenues		
Dedicated taxes (note 15)	427,623	421,100
Amortization of deferred contributions	142,579	144,443
Interest income	30,004	26,788
Other (note 16)	35,237	9,469
	635,443	601,800
Expenditures		
Operations		
Grant programs (note 17)	111,411	31,527
Inland ferries operations (note 18)	9,343	9,554
Heartlands roads program (note 19)	32,138	27,676
Transportation planning	4,627	5,308
Public-private partnership operating expenses	12,037	17,623
First Nations settlements	6,848	(1,397)
Other (note 20)	17,417	11,936
General and administrative expenses (note 21)	4,674	4,413
Amortization of fixed assets	369,616	340,360
Interest expense (note 22)	235,985	211,813
Write down of project costs and disposal of assets (note 23)	16,921	4,549
Gain on sale of marketable securities	-	(75)
	821,017	663,287
Net loss from operations	(185,574)	(61,487)
Amortization of unrealized sinking fund gain (note 2)	3,990	-
Unrealized foreign exchange and derivative gain (loss)	(111,063)	145,661
Net income (loss) before other comprehensive income	(292,647)	84,174

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Comprehensive Income

Year ended March 31	2010	2009
		(note 31)
	($ 000s)	($ 000s)
Net income (loss) for the year	(292,647)	84,174
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities	21	(63)
Unrealized loss on sinking funds	-	(20,814)
Comprehensive income (loss) for the year	(292,626)	63,297

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Owner's Equity

Year ended March 31	Retained earnings	Accumulated other comprehensive income	Total owner's equity
	($ 000s)	($ 000s)	($ 000s)
Retained earnings			
Balance, April 1, 2008	1,161,341	48,936	1,210,277
Net income for the year	84,174	-	84,174
Related party transaction (note 28)	(50,000)	-	(50,000)
Unrealized loss on marketable securities (note 31)	-	(63)	(63)
Unrealized loss on sinking funds (note 31)	-	(20,814)	(20,814)
Balance, March 31, 2009	1,195,515	28,059	1,223,574
Net loss for the year	(292,647)	-	(292,647)
Amortization of unrealized sinking fund (note 2)	-	(3,990)	(3,990)
Unrealized gain on marketable securities	-	21	21
Balance, March 31, 2010	902,868	24,090	926,958
Contributed surplus			
Balance, April 1, 2008	516,318	-	516,318
Change for the year	(629)	-	(629)
Balance, March 31, 2009	515,689	-	515,689
Current year change (note 13)	(1,520)	-	(1,520)
Balance, March 31, 2010	514,169	-	514,169
Total owner's equity, end of year	1,417,037	24,090	1,441,127

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Cash Flows

Year ended March 31	2010	2009
		(note 31)
	($ 000s)	($ 000s)
Operations		
Net income (loss) before other comprehensive income	(292,647)	84,174
Amortization of fixed assets	369,616	340,360
Amortization of deferred capital contributions	(142,579)	(144,443)
Write down of project costs and disposal of assets	16,921	4,549
Change in non-cash operating working capital:		
Accounts receivable	(22,726)	(767)
Accounts payable	8,225	(15,616)
Interest payable	5,174	173
	(58,016)	268,430
Financing		
Change in capital debt - borrowings	688,300	551,208
Change in public-private partnership obligations	23,921	171,795
Change in long-term accounts receivable	(83)	2,366
Change in long-term accounts payable	3,839	5,052
Change in fair value of derivative instruments	124,068	(155,972)
Change in obligation under capital lease	(808)	(532)
Change in other comprehensive income	(3,969)	(20,877)
Change in sinking fund balance	(113,206)	(55,866)
Additions to deferred capital contributions	214,719	177,594
Change in contributed surplus	(1,520)	(629)
Change in deferred revenue	26,534	14,571
	961,795	688,710
Investing		
Additions to fixed assets	(920,151)	(876,343)
Change in market value of equity securities	(21)	97
	(920,172)	(876,246)
Change in cash and temporary investments	(16,393)	80,894
Cash and temporary investments, beginning of year	120,403	39,509
Cash and temporary investments, end of year	104,010	120,403

Supplemental disclosure of cash flow information

	($ 000s)	($ 000s)
Interest paid	230,811	211,640

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

BC Transportation Financing Authority ("BCTFA") was established in 1993 as a Crown Corporation of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*, with a mandate to plan, acquire, construct, hold and improve transportation infrastructure throughout British Columbia. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority to continue the mandate of BCTFA.

While BCTFA owns all provincial highways and lands held for future highway development, administration, regulatory responsibility and operational authority for management of the highways, as set out in the *Highway Act*, are the responsibility of the Minister and the Ministry of Transportation and Infrastructure.

The chair of BCTFA is the Minister of Transportation and Infrastructure. BCTFA has no dedicated staff. Management is provided by staff at the Ministry of Transportation and Infrastructure (the "Ministry").

1. Significant accounting policies:

a) Basis of presentation:

As prescribed by section 33(5) of the *Transportation Act*, the financial statements of BCTFA are prepared in accordance with Canadian generally accepted accounting principles. The statements are also prepared on a going concern basis as prescribed in Section 1400 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

b) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

According to the CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, financial assets can be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables, except derivative instruments that are not accounted for as hedging instruments must be classified as held-for-trading. Financial liabilities can be classified as held-for-trading or other liabilities.

Initially, all financial assets and liabilities are recorded at fair value or the exchange amount with subsequent measurement at each reporting period determined by the classification of each financial asset and liability.

A fair value hierarchy is used to categorize fair value measurements. Under the hierarchy, valuation is based on quoted market prices of identical assets (Level 1), internal models developed from observable market data for similar assets or liabilities (Level 2), or internal models developed without observable market data (Level 3).

BCTFA classified its financial assets and liabilities as follows:

Cash and temporary investments are classified as held-for-trading. These assets are recorded at fair value (level 1 valuation) with changes in fair value reported in net income.

1. Significant accounting policies (continued):

b) Financial instruments (continued):

Marketable securities are classified as available-for-sale. The purchase price, including all transaction costs, is used to account for the investments initially and are subsequently marked-to-market at the end of each reporting period with changes in market value charged to other comprehensive income. The last bid price of the securities quoted in an active exchange (level 1 valuation) on the balance sheet date (or the last trading day if the balance sheet date falls on a public holiday) is used to value the assets.

Accounts receivable are designated as loans and receivables. All receivables are initially recorded at the exchange amount of the transactions and are re-valued at amortized cost at each financial year end.

BCTFA uses cross-currency swaps to offset its currency exposure and uses interest-rate swaps to maintain the target debt ratio for variable-rate and fixed-rate debt as mandated by the Board. BCTFA does not use financial derivative instruments for speculative purposes. All derivative instruments are classified as held-for-trading and are initially recorded at their contract amounts. The contracts will be re-measured at fair value (level 2 valuation) at each reporting period. The unrealized gain/loss is charged to net income and the cumulative gain/loss is recognized as assets/liabilities on the balance sheet. Details of the derivative instruments BCTFA has entered into are presented in note 6.

BCTFA makes periodic payments into sinking funds which are used to retire related long-term debts at maturity. All sinking funds are classified as held-to-maturity and are recorded at cost.

Accounts payable and accrued liabilities, capital lease and public-private partnership obligations are classified as other liabilities. All other liabilities are initially recorded at cost and are re-measured at amortized cost at the balance sheet date using effective interest rate method. Short-term and long-term debts, net of premiums, discounts and deferred debt issued costs, are amortized using the effective yield at the time of the issue.

c) Bond discounts, premiums and deferred debt issue costs:

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

d) Fixed assets:

Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. When project substantial completion is attained (assessed semi-annually), capitalization of interest during construction ceases. Project costs are written down in the year it is determined no tangible asset will result.

1. Significant accounting policies (continued):

d) Fixed assets (continued):

Completed infrastructure is stated at cost. Assets are amortized on a straight line basis over their estimated useful lives, as follows:

Asset		Useful life
Marine transportation equipment	- vessels and docks	25 years
Completed highway infrastructure	- surfacing, safety improvements, and equipment	15 years
Completed highway infrastructure	- all other infrastructure costs (excluding land)	40 years

e) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate the assets. The costs of these assets include the costs incurred by the private sector partners, as well as owner's costs incurred by BCTFA. The private sector partners' 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 fixed assets as construction progresses. Correspondingly, 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.

f) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by capital grants from the federal and provincial government and other outside agencies. These are recorded by BCTFA as deferred capital contributions and are recognized as revenue in the income statement on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

g) Revenue from dedicated taxes:

Revenue from dedicated taxes is recognized monthly based upon allocations of taxes collected by the Province.

h) Federal and provincial taxes:

BCTFA is exempt from corporate income taxes and Goods and Services Tax (GST).

i) Use of estimates:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

1. Significant accounting policies (continued):

i) Use of estimates (continued):

Depreciation and amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of common life characteristics of common assets. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

j) Foreign currency translation:

Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Any resulting currency fluctuations are recognized in the income statement.

k) Future accounting policies:

The Public Sector Accounting Board ("PSAB"), the body governing accounting standards for government entities, has recently approved changes to the scope of public sector accounting standards. Under these changes, BCTFA is considered an "Other Government Organization" of which has been given a choice to choose to adopt International Financial Reporting Standards ("IFRS") or public sector accounting standards.

BCTFA is currently assessing the accounting policy choices and the impacts to the entity. BCTFA will continue to work with the Government of British Columbia to ensure compliance of PSAB directions and meeting the timelines.

2. Change in accounting policy:

It is the intention of BCTFA to contribute and hold the sinking fund until the related debt is matured. In 2010, BCTFA reclassified $546 million worth of sinking funds from available-for-sale to held-to-maturity. The reclassification requires the amortization of unrealized sinking fund gain previously recognized in other comprehensive income to net income over the remaining life of the funds.

3. Cash and temporary investments:

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

($ 000s)	2010	2009
Cash	2,343	1,576
Temporary investments	101,667	118,827
	104,010	120,403

3. Cash and temporary investments (continued):

Temporary investments consist of funds that are for the following purposes:

- $2.4 million (2009 - $2.3 million) is funding received for the Sierra YoYo Desan Transition Agreement between BCTFA and the Ministry of Energy, Mines and Petroleum Resources.
- $95.5 million (2009 - $83.3 million) is advance payment from federal government under the Canada - British Columbia Provincial-Territorial Base Funding Agreement, the Canada - British Columbia Infrastructure Stimulus Fund Agreement, and the Public Transit Capital Trust 2008 Agreement for contributions to various capital projects.

4. Marketable securities:

As part of the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement, BCTFA holds 28,250 shares of Ballard Power Systems Inc. with a market value of $76,558 at March 31, 2010 (2009 - $55,653).

5. Accounts receivable:

($ 000s)	2010	2009
Current accounts receivable	61,386	38,660
Long-term receivables	4,063	3,980
	65,449	42,640

Current portion of accounts receivable includes receivables maturing within one year. Long-term receivables are mainly due from partners in economic development projects.

($ 000s)	2010	2009
Accounts receivable with related parties	60,212	37,566
Ordinary trade receivables	5,237	5,074
	65,449	42,640

Accounts receivable with related parties consists of the following:

- $34.4 million (2009 - $31.1 million) is tax revenue due from the Province.
- $12.7 million (2009 - $0) is advance payment from the federal government under the Infrastructure Stimulus Fund program due from the Province.
- $13.1 million (2009 - $6.4 million) is payment due from the Transportation Investment Corporation ("TI Corp") for licence to use and occupy certain BCTFA's lands for the purpose of fulfilling the terms under the Port Mann Highway 1 Bridge Concession Agreement.

Ordinary trade receivables are mainly due from partners in economic development projects.

6. Derivative instruments:

Derivative instruments held by BCTFA are for the purpose of managing cash flow and foreign exchange risk and meeting the capital structure requirement mandated by the Board. BCTFA does not use derivative instruments for speculative purposes.

BCTFA has a mandate to maintain a debt ratio for variable-rate (25% - 40%) and fixed-rate (75% - 60%) debt within the debt portfolio. When the intended type of interest rate debt is not available, BCTFA will enter into interest rate swap so that the target debt ratio can be maintained.

To limit currency exposure, BCTFA has a policy to borrow in Canadian funds. When the intended type of currency is not available, BCTFA will enter into cross-currency swaps to reduce foreign currency risk.

The following table shows the notional amount and value of the derivative contracts outstanding at March 31, 2010. The notional amount is the amount used to calculate interest payment of the swaps. There is no exchange of the notional amount in interest rate swaps. For cross-currency swap, the notional amount is exchanged at the beginning and at the end of the contract.

BCTFA currently has one cross-currency swap and ten interest rate swaps outstanding.

Type of swap ($ 000s)	Notional amount	Value gain/(loss) 2010	Value gain/(loss) 2009
Cross-currency swap	60,024	(21,191)	(6,219)
Interest rate swap	1,239,513	172,834	281,930
Total	1,299,537	151,643	275,711

The Minister of Finance is the fiscal agent of the derivative contracts. In accordance with government's policy guidelines, the government is required to deal with financial institutions with high credit ratings from renowned credit rating agencies when entering into derivative arrangements.

7. Capital debt and sinking funds:

Current portion of capital debt represents debt maturing within the next fiscal year.

($ 000s)	2010	2009
Current portion of capital debt	339,818	330,522
Long-term portion of capital debt	4,652,141	3,973,137
	4,991,959	4,303,659
Sinking funds	(659,569)	(546,363)
Net capital debt	4,332,390	3,757,296

All debts are in Canadian currency except the following:

BCEMTN-22 US $38.8 million

Schedule of capital debt maturities and interest payments for the next five years are as follows:

($ 000s)	Capital debt	Interest payments
2011	339,879	207,060
2012	299,969	200,430
2013	-	182,021
2014	60,024	182,021
2015	-	178,532

Interest payments for variable-rate debt are calculated based on the effective rate at March 31, 2010 and may vary over time.

7. Capital debt and sinking funds (continued):

Debt reference	Amount ($ 000s)	Interest rate	Fixed /Variable [1]	Maturity date	Sinking fund
Commercial paper	239,878	Various	Variable	Apr 2010 to Sep 2010	No
BCCD-AA	100,000	6.375%	Fixed	Aug 2010	Yes
BCCD-AB(1)	100,000	5.750%	Fixed	Jan 2012	Yes
BCCMTN-85	99,969	9.500%	Fixed	Jan 2012	Yes
BCCMTN-85(2)	100,000	3.161%	Variable	Jan 2012	Yes
BCCMTN-22	60,024	5.813%	Fixed	Oct 2013	Yes
BCCD-16	200,000	4.700%	Fixed	Dec 2017	Yes
BCCD-21	180,000	4.650%	Fixed	Dec 2018	Yes
BCCD-23	100,000	4.100%	Fixed	Dec 2019	Yes
BCCD-23	100,000	1.002%	Variable	Dec 2019	Yes
BCCD-23(1)	100,000	0.895%	Variable	Dec 2019	Yes
BCCD-23(2)	100,000	0.815%	Variable	Dec 2019	Yes
BCCD-8	50,000	5.300%	Fixed	Dec 2019	Yes
BCCP-66	14,350	6.460%	Fixed	Jul 2020	Yes
BCCD-12	100,000	4.800%	Fixed	Jun 2021	Yes
BCCP-81	59,301	6.300%	Fixed	May 2022	Yes
BCCD-L	11,600	9.500%	Fixed	Jun 2022	Yes
BCCP-82	52,092	6.270%	Fixed	Jun 2022	Yes
BCCP-84	22,225	6.050%	Fixed	Aug 2022	Yes
BCCP-85	24,712	5.740%	Fixed	Sep 2022	Yes
BCCP-86	26,498	5.800%	Fixed	Oct 2022	Yes
BCCP-87	32,436	6.020%	Fixed	Nov 2022	Yes
BCCMTN-78	86,000	1.726%	Fixed	Feb 2024	Yes
BCCP-106	37,121	5.690%	Fixed	Jun 2024	Yes
BCCMTN-62	59,840	7.875%	Fixed	Aug 2024	Yes
BCCP-107	44,502	4.570%	Fixed	Jul 2025	Yes
BCCD-W	80,000	6.150%	Fixed	Nov 2027	Yes
BCCD-W(1)	100,000	-0.209%	Variable	Nov 2027	Yes
BCCMTN-70	167,000	0.239%	Variable	Aug 2028	Yes
BCCD-X	285,000	5.700%	Fixed	Jun 2029	Yes
BCCMTN-83	100,000	0.243%	Variable	Jun 2029	Yes
BCCD-19	50,000	5.000%	Fixed	Jun 2031	Yes
BCCD-Z	223,000	6.350%	Fixed	Jun 2031	Yes
BCCD-Z(2)	205,000	0.437%	Variable	Jun 2031	Yes
BCCP-109	21,490	0.337%	Variable	Aug 2035	Yes
BCCD-11	550,000	4.700%	Fixed	Jun 2037	Yes
BCCP-11(2)	100,000	0.419%	Variable	Jun 2037	Yes
BCCMTN-69	100,000	5.750%	Fixed	Jan 2039	Yes
BCCMTN-73	65,000	6.000%	Fixed	Jan 2039	Yes
BCCP-149	36,940	4.710%	Fixed	Jul 2039	Yes
BCCP-150	17,586	4.730%	Fixed	Aug 2039	Yes
BCCMTN-84	120,000	6.300%	Fixed	Aug 2039	Yes
BCCD-22	354,000	4.950%	Fixed	Jun 2040	Yes
BCCD-1	150,000	5.250%	Fixed	Jun 2043	Yes
BCCD-10	100,000	5.750%	Fixed	Aug 2044	Yes
BCCD-15	72,000	4.900%	Fixed	Jun 2048	Yes
BCCD-20	20,000	4.600%	Fixed	Jun 2049	Yes
	5,017,564				
[2] Unamortized costs	(4,987)				
[3] Unrealized gain	(20,618)				
Total net debt	4,991,959				

[1] Interest rates for variable-rate debt are the effective rates at March 31, 2010 and may change over time.
[2] Unamortized costs are unamortized premium, discount and deferred debt issue costs.
[3] Unrealzied gain is foreign exchange gain of a foreign currency debt.

7. Capital debt and sinking funds (continued):

For the year ending March 31, 2010, BCTFA retired $87.1 million of capital and short-term debt and acquired $794 million of new long-term debt. Amortization of discounts, premiums, deferred debt issued costs and changes in unrealized foreign exchange gain during the year resulted in a net debt reduction of $18.6 million.

One capital debt in the amount of $43 million was retired during the fiscal. Upon maturity of this debt the related sinking fund, in the amount of $8.5 million, was transferred to a new debt portfolio.

The Company contributed $83.4 million to sinking funds and recognized $29.8 million in earnings during the fiscal year.

The market yield on the sinking fund portfolio for the year is approximately 5.2%. Projected sinking fund contributions for each of the next five years based upon the debt portfolio at March 31, 2010 are:

	($ 000s)
2011	128,094
2012	123,459
2013	111,168
2014	111,168
2015	107,478

The Minister of Finance is the fiscal agent of BCTFA. Debt acquired through the provincial government's fiscal agency program carries a provincial guarantee.

Pursuant to section 38(1) of the *Transportation Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Each year, BCTFA submits its borrowing target to the Treasury Board for approval.

8. Fixed assets:

($ 000s)	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	1,442,372	-	1,442,372	1,273,871
Work in progress	565,691	-	565,691	978,670
Completed infrastructure	10,010,233	(3,043,006)	6,967,227	6,187,469
Marine transportation equipment	28,607	(5,278)	23,329	24,995
	12,046,903	(3,048,284)	8,998,619	8,465,005

9. Accounts payable and accrued liabilities:

($ 000s)	2010	2009
Current portion of accounts payable and accrued liabilities	137,396	129,171
Long-term payables and accrued liabilities	29,344	25,505
	166,740	154,676

Current portion of accounts payable includes payables due within one year. Long-term payables are liabilities mostly related to expropriation claims.

($ 000s)	2010	2009
Accounts payable and accrued liabilities with related parties	149,705	138,023
Ordinary trade payables	17,035	16,653
	166,740	154,676

The $149.7 million (2009 - $135.7 million) accounts payable and accrued liabilities with related parties are capital project payments and accruals due to the Province.

10. Obligation under capital lease:

Effective April 1, 2007, BCTFA assumed an obligation under a capital lease from the Province for the M.V. Francois Forester providing ferry services across Francois Lake, south of Burns Lake, British Columbia. The lease is for four years ending January 4, 2012. BCTFA has an option to purchase the vessel at any time during the term.

($ 000s)	2010	2009
Current obligation under capital lease	808	809
Long-term obligation under capital lease	2,049	2,856
	2,857	3,665

BCTFA is committed to exercise the buy-out-option in December 2011 in the amount of $1.5 million. The capital lease payments for the next two years, excluding the option exercising price, are:

2011	$ 923,599
2012	$ 666,290

11. Public-private partnership obligations:

BCTFA entered into three multiple-year public-private partnership contracts for the design, build, finance and operate of certain transportation infrastructure. The information presented below shows the capital obligations of BCTFA under these contracts and payments for the operating components of these contracts are disclosed in note 24.

Project	Construction completion date	Interest rate (%)	Contract term (Years)	Capital obligations 2010 ($ 000s)	Capital obligations 2009 ($ 000s)
Sea-to-Sky Highway	2009/10	7.52	25	545,915	524,028
William R. Bennett Bridge	2008/09	7.88	30	180,568	177,067
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2007/08	7.40	25	72,971	74,438
				799,454	775,533

Current portion of public-private partnership obligations is due within one year.

($ 000s)	2010	2009
Current public-private partnership obligations	16,151	13,605
Long-term public-private partnership obligations	783,303	761,928
	799,454	775,533

12. Deferred revenue:

($ 000s)	2010	2009 (note 31)
BC Ferries terminal lease	65,104	66,333
Port Mann Highway 1 Bridge land licence	44,137	12,409
Other	23,914	27,879
	133,155	106,621

12. Deferred revenue (continued):

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

BCTFA and 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 Concession Agreement. The term of the agreement commences on December 31, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA will amortize the prepaid land right on a straight line basis over approximately 78 years.

13. Deferred capital contributions and contributed surplus:

($ 000s)	Opening balance (note 31)	Additions/ (Disposals)	Amortization	Closing balance
Deferred capital contributions	2,317,655	214,719	(142,579)	2,389,795
Contributed surplus	515,689	(1,520)	-	514,169
Total contributions	2,833,344	213,199	(142,579)	2,903,964
Consisting of:				
Provincial government	2,332,914	(1,520)	(134,350)	2,197,044
Federal government	453,978	198,746	(6,553)	646,171
Municipal government	14,891	16,338	(576)	30,653
Other	31,561	(365)	(1,100)	30,096
	2,833,344	213,199	(142,579)	2,903,964

Additions to deferred capital contributions for BCTFA was $224.4 million in fiscal 2010. The figure shown in the table above is the net change of the deferred capital contributions account after amortization and transfers of a total of $9.7 million to federally sponsored projects delivered by other ministries of the Province.

Contributed surplus represents the value of land contributed to BCTFA by the Province at March 31, 1999. The $1.5 million disposal in contributed surplus was the value of land devolved to municipalities or districts due to recent changes in local government structure.

14. Accumulated other comprehensive income:

The components of accumulated other comprehensive income at March 31 of the two fiscal years are summarized as follows:

($ 000s)	2010	2009
Beginning balance	28,059	48,936
Unrealized gain/(loss) on marketable securities	21	(63)
Unrealized loss on sinking funds	-	(20,814)
Amortization of unrealized sinking fund gain (note 2)	(3,990)	-
Ending balance	24,090	28,059

15. Dedicated taxes:

Under the *Transportation Act*, the Province collects taxes on behalf of BCTFA. Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre and, under section 26 of the *Social Services Tax Act*, BCTFA receives social service tax of $1.50 per car rental day.

($ 000s)	2010	2009
Tax revenue earned:		
Motor Fuel Tax Act	413,623	407,100
Social Services Tax Act	14,000	14,000
	427,623	421,100

16. Other revenues:

Other revenues consist of the following:

($ 000s)	2010	2009 (note 31)
Property sale	21,072	4,431
Rental or leases	3,466	3,745
Economic development revenue	770	461
Miscellaneous revenues	9,929	832
	35,237	9,469

17. Grant programs:

BCTFA provided grants to the following programs during the year:

($ 000s)	2010	2009 (note 31)
Ports and airports	4,347	12,558
South Coast British Columbia Transportation Authority (TransLink) - Canada Line	12,248	13,050
South Coast British Columbia Transportation Authority (TransLink) - Other projects	6,660	251
British Columbia Transit	83,518	-
Cycling infrastructure partnerships program	840	946
City of Kelowna	-	1,000
Amtrak	-	2,791
Climate action initiatives	3,798	730
Ministry of Environment	-	201
	111,411	31,527

18. Inland ferries operations:

Effective April 1, 2007, BCTFA purchased the inland ferries assets at net book value from the Ministry of Transportation and Infrastructure for $13.6 million, of which $6.3 million is related to a vessel under a capital lease. BCTFA continues to provide approximately $9 million a year to inland ferries for operating purposes.

19. Heartlands roads program:

Effective April 1, 2006, BCTFA increased the funding to the Heartlands roads program to include minor works such as electrical installation, bridge betterment and road upgrading, which were funded solely by the Ministry of Transportation and Infrastructure prior to the effective date.

20. Other expenses:

Other expenses consist of the following:

($ 000s)	2010	2009 (note 31)
Property and land selling costs	11,545	5,168
Rental or lease expenses	1,133	1,049
Economic development projects	147	162
Other operating expenses	4,592	5,557
	17,417	11,936

21. General and administrative expenses:

In 2010, $4.7 million (2009 - $4.4 million) was paid to the Ministry of Transportation and Infrastructure for general and administrative services not specifically attributable to individual capital construction projects.

22. Interest expense:

($ 000s)	2010	2009
Interest on capital debt and public-private partnership obligations	257,446	250,647
Interest capitalized	(21,461)	(38,834)
	235,985	211,813

In 2010, interest incurred in connection with public-private partnership projects was $67.8 million (2009 - $58.5 million) and $12.1 million (2009 - $29.4 million) was capitalized.

23. Write down of project costs and disposal of assets:

($ 000s)	2010	2009
Write-off of capital assets	9,994	1,603
Asset transfers	6,927	2,946
	16,921	4,549

Transportation infrastructure no longer serves a provincial need is written-off.

With approval from the provincial government, assets are transferred to local governments when there is a change in local government structure.

24. Contractual obligations:

Information presented below under public-private partnerships is part of the anticipated cash outflow of BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are payments for the operating components of the contracts and capital obligations of these contracts are disclosed in note 11. Payments to concessionaires are contingent on specified performance criteria and include an estimation of inflation where applicable.

($ millions)	Contract end date	2011	2012	2013	2014	2015	Future payments
Public-private partnerships:							
Sea-to-Sky Highway	2030	50.7	51.7	51.4	51.0	50.5	684.4
William R. Bennett Bridge	2035	17.7	17.6	17.5	17.4	17.3	283.1
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2030	6.4	6.3	6.2	6.1	6.0	121.6
Canada Line performance payments	2040	19.3	19.3	19.3	19.3	19.3	481.5
Other commitments under the Provincial Transit Plan	2012	31.9	5.3	-	-	-	-
Other commitments under the Transportation Investment Plan	2013	550.9	204.6	127.8	-	-	-
		676.9	304.8	222.2	93.8	93.1	1,570.6

In addition to the commitments to public-private partnership projects and performance payments for the Canada Line, BCTFA has a number of multi-year contractual obligations for both the operating and capital components of the Transportation Investment Plan and the Provincial Transit Plan. Such future expenditures will be accounted for in the year the work or service is performed.

25. Contingencies:

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 accrue estimated settlement expenses in accordance with CICA Handbook guidelines.

In 2010, contingent liabilities of $101 million (2009 - $115 million) remain after deducting the estimated settlement expenses currently accrued from gross claims outstanding for capital projects and $92 million (2009 - $105 million) of those liabilities is related to expropriation claims.

26. Capital Management:

BCTFA's primary objectives to manage capital are to safeguard the ability to continue as a going concern, to honour the commitment to invest in transportation infrastructure within the funding targets approved by the Treasury Board, to maintain an interest rate structure mandated by the Board, and to ensure sufficient liquidity to conduct normal course of operations.

BCTFA defines capital it manages as the aggregate of public-private partnership obligations, commitment to capital leases and fiscal agency loans, net of sinking funds contributed to retire debts.

26. Capital Management (continued):

Pursuant to section 38(1) of the *Transportation Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Every year, BCTFA submits its three-year borrowing requirement to the Treasury Board for approval. The approved limit for 2011 is $6.136 billion (2010 - $5.325 billion based on Budget 2009 September Update), net of sinking funds.

BCTFA manages its capital through regular monitoring of the transportation improvement plans and reviewing of monthly financial results to develop a short-term and long-term cash flow forecast. The capital required to deliver the commitments must stay within the borrowing targets approved by the Treasury Board. BCTFA debt management policy requires the maintenance of a target debt ratio. In order to meet the requirement, BCTFA monitors its debt structure closely and makes necessary adjustments, including the use of financial derivative instruments.

To ensure future debt obligations are met, BCTFA makes periodic payments into sinking funds which are used to retire related long-term debts at maturity. British Columbia Investment Management Corporation (bcIMC) is the manager of the sinking fund portfolios. Sinking fund payments are calculated based on an annual expected return of 5%. bcIMC assesses the reasonableness of the annual rate of return periodically and if necessary, makes adjustments to the contribution levels.

Details of the BCTFA's debt structure, its outstanding debt and sinking balance as at the balance sheet date can be found in note 7.

When the construction of the public-private partnership projects proceed, BCTFA records the asset values as work-in-progress and the corresponding liabilities as public-private partnership obligations. The obligations will be repaid through monthly performance payments to concessionaires when the construction of the related transportation infrastructure is complete and the asset is in operation. The outstanding balance of the public-private partnership obligations is presented in note 11.

BCTFA assumed a capital lease for the M.V. Francois Forester on April 1, 2007. The outstanding amount of the capital lease, as of the balance date, is approximately $2.9 million (2009 - $3.7 million).

To ensure sufficient liquidity to conduct day-to-day operation, BCTFA's policy requires that a minimum daily balance should be maintained in its operating bank account. Cash in excess of this operational requirement is invested in money market instruments which are redeemable within a day's notice.

27. Risk management:

BCTFA's primary risk management objective is to protect its income and cash flow and, ultimately safeguarding the entity's and government's assets. BCTFA uses a number of risk management techniques and financial tools, including the use of derivative instruments, to mitigate and manage risk exposure.

a) Interest rate risk:

BCTFA is exposed to changes in interest rates on some of its financial assets and liabilities. The interest rate exposure on temporary investments and short-term loans is limited due to the short time frame.

27. Risk management (continued):

Based on BCTFA's mandated target debt ratio, interest rate exposure for long-term debt is limited to a maximum of 40% of its debt portfolio. Assuming that the amount and mix of fixed-rate (71%) and variable-rate (29%) debt outstanding at March 31, 2010 remains unchanged, a quarter percentage change in interest rate could have a risk exposure of $2.9 million (2009 - $2.2 million with a variable -rate debt ratio of 27%) to future 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 eliminate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not in 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 the balance sheet date, BCTFA has only one foreign currency denominated debt outstanding and is fully offset by a cross-currency swap.

c) Credit risk:

BCTFA is exposed to credit risk due to the use of derivative instruments. If a counterparty of the derivative instruments fails to meet its financial obligations in accordance with the terms and conditions of the contracts, BCTFA may incur a financial loss. However, the credit risk arising from dealing with external financial institutions is mitigated by government's policy guidelines to deal with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least AA-/Aa3 or A+/A1 in the case of Canadian Schedule A banks. The risk is further minimized by limits on individual counterparty credit exposures established by the Province.

Other than credit risks arising from the use of financial instruments, BCTFA is limited to the exposure of credit risk as it mainly conducts businesses with government ministries or other government entities which are relatively stable.

d) Liquidity risk:

Liquidity risk is the risk that BCTFA is not able to meet its financial obligations as they become due.

BCTFA manages its liquidity risk by regular monitoring of its financing requirements and preparing short-term and long-term cash flow forecast. Cash in excess of day-to-day operational requirements is invested in money market instruments which are redeemable within a day's notice.

It is BCTFA's policy to make contributions into sinking funds to retire long-term debts when they mature. It's intention is to match sinking fund contributions with the maturity of the related debts. BCTFA regularly monitors the balance of the sinking funds and if there is any material deviation from the forecasted expected return, the management may consult bcIMC, through the Ministry of Finance, and makes recommendations to the Board to increase sinking fund contributions to cover the shortfall.

28. 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. All transactions between BCTFA and other government entities are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

($ millions)	Nature of transaction	2010	2009
Received from / (Paid to):			
Government of British Columbia	Taxes and other revenues	430	422
Government of British Columbia	Operating and interest expenses	(429)	(306)
Government of British Columbia	Capital expenditures	(753)	(650)

On March 31, 2009, BCTFA transferred $76.4 million worth of capital assets acquired in prior years in anticipation of building the new Port Mann Bridge to TI Corp. As directed by the Province, BCTFA received $26.4 million from TI Corp and the remaining $50.0 million was charged to equity.

Effective March 15, 2010, BCTFA, TI Corp and the Province entered into the Port Mann Highway 1 Bridge Concession Agreement that sets out the terms, responsibilities and obligations of TI Corp for the delivery of the Port Mann Highway 1 Project and implementation of the operations, maintenance and rehabilitation of the Concession Highway. TI Corp is also responsible for the decommissioning of the existing Port Mann Bridge. Subject to the terms of the Concession Agreement, TI Corp is given the authority to conduct and perform tolling on the Port Mann Bridge.

On March 31, 2010, BCTFA, TI Corp and the Province signed a Letter of Intent to enter into an agreement to modify the Concession Agreement to grant TI Corp the Concession Agreement for a term of 80 years commencing March 15, 2010. The agreement also confirms that TI Corp shall own the improvements and fixtures constructed by or on behalf of TI Corp on the Concession Highway for duration of the term.

29. Change in estimate:

Since the existing Port Mann Bridge will be decommissioned upon completion of the new bridge, BCTFA's management reassessed the remaining useful life of the existing bridge and accelerated the amortization of the bridge starting fiscal 2010. It is anticipated that the new bridge will be in operation in December 2012. The financial impact to BCTFA's operating expenditures is $10.4 million a year.

30. Subsequent event:

Effective April 1, 2010, the shares of British Columbia Railway Company (BCRC) were transferred to BCTFA, resulting in BCRC becoming the wholly-owned subsidiary of BCTFA. BCRC will continue to operate as a separate entity and retain its legal and legislative authorities and agreements.

BCTFA is currently exempt from Goods and Services Tax (GST). With the implementation of Harmonized Sales Tax (HST) in the Province on July 1, 2010, BCTFA will be required to pay HST on all purchases. The Province is in the process of negotiating with the Government of Canada to retain BCTFA's status under Schedule A of the Canada - BC Reciprocal Taxation Agreement and BCTFA is anticipating that it will be eligible for a 100% rebate of HST.

Under section 26 of the *Social Services Tax Act*, BCTFA receives social service tax of $1.50 per car rental day. On April 29, 2010, The *Consumption Tax Rebate and Transition Act* was enacted and the *Social Services Tax Act* was repealed. Therefore, effective July 1, 2010, BCTFA will cease to receive car rental tax from the Province .

The Port Mann Highway 1 Bridge Project Concession Agreement Modification Agreement #1 was signed to give effect to the terms of the Letter of Intent that BCTFA, TI Corp and the Province entered into at March 31, 2010. The Modification Agreement will take effect from May 19, 2010.

31. Comparative change:

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