Consolidated Financial Statements

BRITISH COLUMBIA RAILWAY COMPANY

March 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Railway Company, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the British Columbia Railway Company and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011, and January 1, 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the British Columbia Railway Company as at March 31, 2012, March 31, 2011, and January 1, 2010, and the results of its operations and its cash flows for the periods ended March 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

Victoria, British Columbia
May 24, 2012

John Doyle, MAcc, CA
Auditor General

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of dollars)

	Note		March 31 2012		March 31 2011		January 1 2010
ASSETS							
Current assets							
Cash and cash equivalents	*9*	**$**	**140,856**	$	153,371	$	315,010
Trade and other receivables	*10*		**4,596**		4,103		5,031
Materials and other items	-		**766**		626		282
Total current assets			**146,218**		158,100		320,323
Non-current assets							
Other receivables	*10*		**89,960**		75,448		64,899
Property and equipment	*11*		**13**		84		184
Investment property	*12*		**126,636**		99,192		101,734
Employee benefits	*13*		**316**		4,018		5,728
Total non-current assets			**216,925**		178,742		172,545
Total assets		**$**	**363,143**	$	336,842	$	492,868
LIABILITIES AND SHAREHOLDER'S EQUITY							
Current liabilities							
Trade and other payables	*14*	**$**	**1,806**	$	2,387	$	4,478
Deferred lease revenue	*15*		**510**		849		1,499
Total current liabilities			**2,316**		3,236		5,977
Non-current liabilities							
Deferred lease revenue	*15*		**33,201**		32,927		31,933
Provisions	*16*		**183,500**		151,695		149,027
Employee benefits	*13*		**2,279**		1,885		1,354
Total non-current liabilities			**218,980**		186,507		182,314
Total liabilities			**221,296**		189,743		188,291
Equity							
Share capital	*17*		**257,688**		257,688		257,688
Contributed surplus	*18*		**89,547**		104,547		277,547
Deficit	-		**(205,388)**		(215,136)		(230,658)
Total equity			**141,847**		147,099		304,577
Total liabilities and equity		**$**	**363,143**	$	336,842	$	492,868

Comparative balances have been adjusted for the effects of conversion to IFRS; see note 26 for details.
The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements.

On behalf of the Board

Director

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of dollars)

	Note	12 months ended March 31 2012	15 months ended March 31 2011
Revenue	*6*	**$ 17,048**	$ 20,184
Expenses			
Labour costs	*7*	**3,652**	4,642
Repairs and maintenance		**2,999**	3,328
Professional services		**1,112**	2,029
Information technology		**612**	933
Administrative		**1,567**	1,638
Depreciation	*11/12*	**531**	657
Environmental costs		**238**	1,866
Property taxes		**2,059**	2,367
		12,770	17,460
Other income			
Gain on sale of investment property		**10,265**	14,369
Other		**-**	602
		10,265	14,971
Results from operating activities		**14,543**	17,695
Finance income	*8*	**2,230**	3,325
Finance costs	*8*	**(3,192)**	(3,496)
Net finance income (costs)		**(962)**	(171)
Profit for the period		**13,581**	17,524
Other comprehensive income			
Defined benefit plan actuarial losses	*13*	**(3,471)**	(1,465)
Post-retirement plan actuarial losses	*13*	**(362)**	(537)
Other comprehensive income for the period		**(3,833)**	(2,002)
Total comprehensive income for the period		**$ 9,748**	$ 15,522

Comparative balances have been adjusted for the effects of conversion to IFRS; see note 26 for details.
The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements.

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Note	12 months ended March 31 2012	15 months ended March 31 2011
Cash flows from operating activities			
Profit for the period		**$ 13,581**	$ 17,524
Adjustments for:			
Gain on sale of investment property		**(10,265)**	(14,369)
Depreciation	*11/12*	**531**	657
Amortization of deferred lease revenue		**(1,122)**	(1,404)
Accretion income on long-term notes receivable		**(435)**	(512)
Unwind of discount on provisions	*8*	**3,192**	3,496
		5,482	5,392
Change in working capital	*24*	**(412)**	(2,307)
Change in general environmental provision		**(1,858)**	(3,014)
Change in long-term receivable for environmental services	*10(d)*	**(3,597)**	(4,151)
Change in Joint Capital Account Receivable	*10(b)*	**13**	-
Change in pension benefit		**231**	245
Change in post-employment benefit obligation		**32**	(6)
Net cash used in operating activities		**(109)**	(3,841)
Cash flows from investing activities			
Acquisition of property and equipment	*11*	**-**	(16)
Development costs on investment properties	*12*	**(683)**	(1,895)
Acquisition of Joint Capital Account assets	*10(b)*	**(8,144)**	(6,936)
Proceeds from sale of property and equipment		**-**	38
Proceeds from sale of investment property		**11,167**	22,811
Payments received on mortgages		**254**	1,200
Net cash from investing activities		**2,594**	15,202
Cash flows from financing activities			
Payments to the Province	*18*	**(15,000)**	(173,000)
Net cash used in financing activities		**(15,000)**	(173,000)
Net increase (decrease) in cash and cash equivalents		**(12,515)**	(161,639)
Cash and cash equivalents, beginning of period		**153,371**	315,010
Cash and cash equivalents, end of period		**$ 140,856**	$ 153,371

Comparative balances have been adjusted for the effects of conversion to IFRS; see note 26 for details.
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BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at January 1, 2010	**$ 257,688**	**$ 277,547**	**$ (230,658)**	**$ 304,577**
Total comprehensive income for the period				
Profit	-	-	17,524	17,524
Other comprehensive income				
Defined benefit plan actuarial losses	-	-	(1,465)	(1,465)
Post-retirement plan actuarial losses	-	-	(537)	(537)
Total other comprehensive income	-	-	(2,002)	(2,002)
Total comprehensive income for the period	**-**	**-**	**15,522**	**15,522**
Transactions with owners, recorded directly in equity				
Distributions to owners				
Payments to the Province	-	(173,000)	-	(173,000)
Balance at March 31, 2011	**257,688**	**104,547**	**(215,136)**	**147,099**
Total comprehensive income for the period				
Profit	-	-	13,581	13,581
Other comprehensive income				
Defined benefit plan actuarial losses	-	-	(3,471)	(3,471)
Post-retirement plan actuarial losses	-	-	(362)	(362)
Total other comprehensive income	-	-	(3,833)	(3,833)
Total comprehensive income for the period	**-**	**-**	**9,748**	**9,748**
Transactions with owners, recorded directly in equity				
Distributions to owners				
Payment to the Province	-	(15,000)	-	(15,000)
Balance at March 31, 2012	**$ 257,688**	**$ 89,547**	**$ (205,388)**	**$ 141,847**

Comparative balances have been adjusted for the effects of conversion to IFRS; see note 26 for details.
The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

British Columbia Railway Company ("BCRC" or the "Company") is a company domiciled in Canada. The address of the registered office is Suite 600 - 221 West Esplanade, North Vancouver, BC, V7M 3J3. It is incorporated under the *British Columbia Railway Act.* It is owned by the BC Transportation Finance Authority ("BCTFA"), a subsidiary of the Province of British Columbia (the "Province"), operating under the supervision of the Ministry of Transportation and Infrastructure ("MoTI"). Ownership of BCRC was transferred to the BCTFA on April 1, 2010 from the Province. In 2010, the Company changed its year end from December 31 to March 31 to match the year end of its parent company.

The consolidated financial statements of the Company as at and for the year ended March 31, 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group has commercial and business activities conducted through several operating subsidiaries, spanning the business areas of real estate, railway and marine terminal management. The Group's primary mandate is to support and facilitate the British Columbia Ports Strategy and Pacific Gateway Strategy, by providing consulting advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province.

The Company owns the former BC Rail right-of-way and railway track infrastructure and leases those assets to Canadian National Railway Company ("CN") for the purposes of operating a freight railway. Consistent with the Province's Ports Strategy and Pacific Gateway Strategy, BCRC has retained ownership of the Port Subdivision operation, which provides open, neutral rail access to the port terminals at Roberts Bank and, through its subsidiary BCR Properties Ltd. ("BCRP"), has retained ownership of certain port-related lands.

The Province has determined that the remaining assets and entities owned by the Group that are not required to meet the Pacific Gateway Strategy or required to be publicly owned, should be disposed in a timely manner which maximizes a commercial return to the Province. Management has completed its assessment of the Group and has concluded that the Group has the ability to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRSs). These are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 26.

The consolidated financial statements were authorized for issue by the Board of Directors on May 17, 2012.

2. BASIS OF PREPARATION (continued)

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Group's functional currency and the functional currency of all its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 4 and 5 – accounting for an arrangement containing a lease
- Note 10(b) – lease classification
- Note 12 – classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 13 – measurement of employee benefit obligations
- Note 16 – provisions
- Note 23 – contingencies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

i) Business combinations

Acquisitions prior to January 1, 2010

As part of its transition to IFRSs, the Group elected not to restate those business combinations that occurred prior January 1, 2010. There have been no business combinations since January 1, 2010. There is no goodwill recorded in the financial statements for business combinations that occurred prior to January 1, 2010.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iii) Transaction elimination on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Financial Instruments

i) Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following financial assets: loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Group's loans and receivables are comprised of cash and cash equivalents, all amounts receivable (including Joint Capital Account receivables), and long-term notes receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial Instruments (continued)

ii) Non-derivative financial liabilities
The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has classified its trade and other payables as other liabilities which are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii) Derivative financial instruments
Derivative instruments are recorded as either assets or liabilities measured at their fair value except when considered a normal purchase and sale arrangement. Certain derivatives embedded in other contracts are also measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge accounting criteria are met, which requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Group has no derivatives or embedded derivatives.

c) Property, Plant and Equipment

i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Property, Plant and Equipment (continued)

ii) Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is retained at its historical cost and reclassified as investment property. Therefore, no gain or loss is recognized at the time of reclassification.

iii) Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the asset will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iv) Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 30 - 40 years
- equipment 3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

d) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

i) Recognition and measurement
Items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized net in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investment Property (continued)

ii) Subsequent costs
The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of investment property are recognized in profit or loss as incurred.

iii) Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 30 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

e) Materials

Materials are measured at the lower of cost and net realizable value. The cost of materials includes expenditure incurred in acquiring the materials, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the replacement cost of the materials.

f) Impairments

i) Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairments (continued)

ii) Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than materials, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Assets Held for Sale

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable to complete within one year. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter the asset, or disposal group, is measured at the lower of its carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Employee Benefits

i) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising from post employment defined benefit plans immediately in other comprehensive income, and reports them in retained earnings.

ii) Registered Retirement Savings Plan Contributions

Contributions made by the Group to a registered retirement savings plan on behalf of its employees are expensed as contributions are made.

iii) Other Long-Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

iv) Termination Benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Employee Benefits (continued)

v) Short-Term Employee Benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

i) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

i) Site Restoration
In accordance with the Group's environmental policy and applicable legal requirements, provisions for site restoration in respect of contaminated land and the related expenses are recognized when the land is contaminated. The provisions are recognized as non-current liabilities and are discounted to their present value based on expected future cash flows. Changes in estimates are dealt with on a prospective basis as they arise.

A provision is also recognized for expected remediation or retirements costs associated with owned or leased property or equipment as a non-current liability with a corresponding asset. At each reporting date, the liability is re-measured in line with changes in discount rates and timing or amount of the costs to be incurred. Any changes in the liability are added to, or deducted from, the related asset, other than the unwinding of the discount which is recognized as a finance cost in profit or loss as it occurs. If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognized immediately in profit or loss.

j) Revenue

i) Leasing Revenue
Leasing revenue from investment property is recognized in profit and loss on a straight-line basis over the term of the lease. Proceeds from prepaid lease arrangements are deferred and recognized in profit and loss on a straight-line basis over the term of the lease.

ii) Services
Revenue from services rendered, including fees related to the Port Subdivision operation, are recognized in profit or loss when services have been delivered, the amounts are measurable, and collectability is reasonably assured.

k) Lease Payments

Payments made or received under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense / revenue, over the term of the lease. Contingent lease payments are accounted for in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

m) Finance Income and Finance Costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

n) Income Tax

The Group is exempt from Canadian federal and British Columbia provincial income taxes.

o) Future Accounting Standards

The following is a summary of recent accounting pronouncements which have not yet been adopted by the Group:

• IFRS 12 *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Group's consolidated financial statements commencing January 1, 2013. The Group is assessing the impact of this new standard on its consolidated financial statements.

• IFRS 13 *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Group's consolidated financial statements commencing January 1, 2013. The Group is assessing the impact of this new standard on its consolidated financial statements.

• Amendments to IAS 1 *Presentation of Financial Statements*

In June 2011, the IASB amended International Accounting Standard (IAS) 1 *Presentation of Financial Statements*. This amendment requires an entity to separately present the items of other comprehensive income (OCI) as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Group's consolidated financial statements commencing January 1, 2013. The Group is assessing the impact of this amended standard on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Standards (continued)

• Amendments to IFRS 7 *Financial Instruments: Disclosures*

In October 2010, the International Accounting Standards Board (IASB) amended IFRS 7 *Financial Instruments: Disclosures*. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Group's consolidated financial statements commencing January 1, 2012. The Group is assessing the impact of this amended standard on its consolidated financial statements.

• IFRS 9 *Financial Instruments*

In October 2010, the IASB issued IFRS 9 *Financial Instruments*. IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Group's consolidated financial statements commencing January 1, 2015. The Group is assessing the impact of this new standard on its consolidated financial statements.

• IFRS 10 *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*. IFRS 10, which replaces the consolidation requirements of Standing Interpretations Committee (SIC)-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Group's consolidated financial statements commencing January 1, 2013. The Group is assessing the impact of this new standard on its consolidated financial statements.

4. CN TRANSACTION

(a) On July 14, 2004, BCRC and BCRP completed a transaction with CN pursuant to an agreement signed between the parties on November 25, 2003 (the "CN Transaction"). Under the terms of the agreement, CN assumed the Group's industrial freight railway business by purchasing the shares of BC Rail Ltd., the partnership interests of BC Rail Partnership and railcars from a related entity (collectively "BC Rail").

(b) BCRC and BC Rail entered into a Revitalization Agreement which was assumed by CN. Under the agreement, BC Rail leased the railway right-of-way land, railbed assets, and related track infrastructure from BCRC under a long-term lease, which contains provision for prospective adjustments. BC Rail prepaid all lease payments under the Revitalization Agreement. The lease is being treated as a finance lease and all the related assets have been removed from the financial statements.

(c) As part of the CN Transaction, CN committed to certain average transit times for rail traffic on the BC Railway system. Breach of the transit time commitments results in penalty payments required to be made by CN that are dedicated for use on upgrades of the BC railway system to improve reliability and transit times for the railway users. As at March 31, 2012, the trust fund held $2.6 million (March 31, 2011 - $2.6 million; January 1, 2010 - $2.6 million) in unspent CN penalty payments, which are not recognized in these financial statements.

4. CN TRANSACTION (continued)

(d) Under the Revitalization Agreement, effective July 14, 2009 CN has the right to return certain segments of track to BCRC's control, for no proceeds; subject to specific legal and regulatory approvals. If segments are returned to BCRC, BCRC can retain, sell, or otherwise use the segment at its own discretion, or put the segment back to CN for $1. As at March 31, 2012, CN has not commenced any action for the return of any segments.

5. KINDER MORGAN ("KM") TRANSACTION

(a) On May 30, 2007, BCRC and its subsidiaries, Vancouver Wharves Limited Partnership ("VWLP") and BCRP completed a transaction with KM pursuant to an agreement signed on April 3, 2007. Under the terms of the agreement, KM assumed the operations of VWLP's port terminal facility by acquiring certain operating assets from VWLP and signing a 40-year non-renewable operating lease with BCRP for the land upon which VWLP operates. The net proceeds from the lease are being recognized as deferred lease revenue (Note 15) and amortized to income on a straight-line basis over the term of the lease.

(b) As part of the agreement, KM assumed responsibility to complete certain projects designed to prevent further off-site migration of contamination on the land during the lease and to remediate all site contamination at the end of the lease. The fair value of the remediation services at the date of the agreement was estimated at $14.0 million for off-site migration contamination projects and $27.1 million for the remediation and site restoration at the end of the lease. As the Group retains ultimate responsibility for the remediation of the land, the site restoration and environmental obligations will continue to be reflected in the Group's consolidated financial statements (Note 16) until such time as management is satisfied that KM has completed the remediation work. As the value of the assumed obligations is considered to be part of the lease proceeds, an equivalent amount of lease revenue will be recognized on a straight-line basis over the lease term. An annual assessment will be made concerning Kinder Morgan's plans and progress towards completion of the remediation services. Any remediation performed in excess of revenue recognized will be reclassified to deferred revenue to ensure straight-line recognition over the lease term.

6. REVENUE

	Note	**12 months ended March 31 2012**	**15 months ended March 31 2011**
Investment property leasing revenue		**$ 7,719**	$ 10,585
Port Subdivision operating and maintenance services	*(a)*	**6,633**	7,242
Port Subdivision JCA privilege revenue	*(a)*	**2,614**	2,323
Sale of goods		**82**	34
		$ 17,048	$ 20,184

6. REVENUE (continued)

a) Port Subdivision Joint Service Revenue

The Group operates and maintains the 37-kilometre track connecting three railways to the port terminal at Roberts Bank (the "Port Subdivision operation") and recovers its operating and maintenance costs for this service from the three user railways in proportion to each railway's use of the track each month.

The Group has also invested in railway assets for its Port Subdivision operation. Agreements between the Group and the three user railways require the Group to maintain a separate account of the invested costs (the "Joint Capital Account") as the costs will be reimbursed by the user railways in proportion to their use of the track at the time that the assets are retired or when the operation ceases to exist. The portion of the Joint Capital Account ("JCA") relating to land has been accounted for as an operating lease and included with investment property (Note 12) and the balance, accounted for as finance leases, is included in other assets as the Joint Capital Account Receivables (Note 10(b)) to be collected upon retirement or cessation of operations.

The Group collects monthly lease payments ("JCA privilege revenue") from the user railways calculated at prime plus 1% (as at April 1 of each year) on the balance of the JCA balance and based on each railway's proportionate use of the track each month.

7. LABOUR COSTS

	Note		**12 months ended March 31 2012**		**15 months ended March 31 2011**
Direct labour costs		**$**	**2,706**	$	4,383
Labour costs for MoTI employees	*25*		**946**		259
		$	**3,652**	$	4,642

Direct labour costs include employee wages, dental and health benefits, RRSP contributions, and the annual expense related to the post-employment benefit plan and the defined benefit supplemental pension plan.

8. FINANCE INCOME AND FINANCE COSTS

		12 months ended March 31 2012		**15 months ended March 31 2011**
Interest on bank deposits	**$**	**36**	$	17
Interest on loans and receivables		**455**		512
Interest on money market instruments		**1,739**		2,796
Finance income		**2,230**		3,325
Unwind of discount on provision		**(3,192)**		(3,496)
Finance costs		**(3,192)**		(3,496)
Net finance income (costs) recognized in profit or loss	**$**	**(962)**	$	(171)

9. CASH AND CASH EQUIVALENTS

	Note	March 31 2012	March 31 2011	January 1 2010
Cash		**$ 7,384**	$ 4,838	$ 2,273
Money market instruments		**133,472**	148,533	312,737
		$ 140,856	$ 153,371	$ 315,010

The Group's money market instruments are invested in a fund which invests in government and corporate debt securities, including commercial paper.

10. TRADE AND OTHER RECEIVABLES

	Note	March 31 2012	March 31 2011	January 1 2010
Trade receivables		**$ 3,455**	$ 4,103	$ 4,881
Loans and receivables				
Mortgages receivable	*(a)*	**3,490**	-	1,200
Joint Capital Account receivables	*(b)*	**63,855**	55,724	48,788
Long-term notes receivable from CN	*(c)*	**7,941**	7,506	6,994
Long-term receivable for environmental services	*(d)*	**15,815**	12,218	8,067
		91,101	75,448	65,049
		$ 94,556	$ 79,551	$ 69,930
Current		**$ 4,596**	$ 4,103	$ 5,031
Non-current		**89,960**	75,448	64,899
		$ 94,556	$ 79,551	$ 69,930

(a) Three separate mortgages were issued to purchasers during the year as part of certain property sale transactions from the Group's real estate portfolio. The mortgages all bear interest at 4.75%. Two of the mortgages have 1-year terms, expiring in November 2012, the other a 2-year term, expiring in March 2014.

(b) The Joint Capital Account receivables relate to long-term finance leases which will be repaid to the Group by the users of the railway in proportion to their use of the track when the assets are either retired or the operation ceases. The receivables bear interest at prime plus 1% which is paid monthly.

Because the annual lease payments are based on prime plus 1% as at April 1 of each year and it is not possible to forecast with any accuracy the rates applicable to the lease throughout the lease term, it is not possible to accurately calculate the future minimum lease payments for the this lease. Therefore the lease revenue is recorded through profit or loss as it becomes measurable and collectable.

10. TRADE AND OTHER RECEIVABLES (continued)

(c) The long-term notes receivable from CN (Note 4) are non-interest bearing and due on July 12, 2094. The notes were initially recorded at fair value calculated based on the discounted cash flow using an implied interest rate of 5.75% and are accreted each year at 5.75% to their ultimate face value of $842 million.

(d) The long-term receivable for environmental services relates to the KM lease for the Vancouver Wharves port terminal facility (Note 5). The receivable will be settled through the lessee's remediation performance at the end of the lease agreement. The value of the receivable at inception of the lease was based on the present value of the related remediation, using an implicit rate of interest of 4.6%. In each subsequent reporting period, the receivable balance is adjusted to reflect the time value of money at the implicit rate of interest, as well as for any changes to the expected future cost of remediation.

11. PROPERTY PLANT AND EQUIPMENT

	Buildings	Equipment	Leasehold Improvements	Total
Cost				
Balance January 1, 2010	$ 24	$ 1,477	$ 262	$ 1,763
Additions	-	16	-	16
Disposals	-	(32)	-	(32)
Balance March 31, 2011	24	1,461	262	1,747
Additions	-	-	-	-
Disposals	-	-	-	-
Balance March 31, 2012	**$ 24**	**$ 1,461**	**$ 262**	**$ 1,747**
Depreciation				
Balance January 1, 2010	$ 23	$ 1,395	$ 161	$ 1,579
Depreciation for the year	-	22	65	87
Disposals	-	(3)	-	(3)
Balance March 31, 2011	23	1,414	226	1,663
Depreciation for the year	-	35	36	71
Disposal	-	-	-	-
Balance March 31, 2012	**$ 23**	**$ 1,449**	**$ 262**	**$ 1,734**
Carrying Amounts				
At January 1, 2010	$ 1	$ 82	$ 101	$ 184
At March 31, 2011	$ 1	$ 47	$ 36	$ 84
At March 31, 2012	**$ 1**	**$ 12**	**$ -**	**$ 13**

12. INVESTMENT PROPERTY

		Investment Property
Cost		
Balance January 1, 2010	$	104,440
Additions		1,895
Effect of movement in remediation asset		4,584
Disposals		(8,451)
Balance March 31, 2011		102,468
Additions		683
Effect of movement in remediation asset		31,867
Impairments		(148)
Disposals		(4,625)
Balance March 31, 2012	**$**	**130,245**
Depreciation		
Balance January 1, 2010	$	2,706
Depreciation for the year		570
Balance March 31, 2011		3,276
Depreciation for the year		460
Disposal		(26)
Impairments		(101)
Balance March 31, 2012	**$**	**3,609**
Carrying Value		
At January 1, 2010	$	101,734
At March 31, 2011	$	99,192
At March 31, 2012	**$**	**126,636**

Investment property comprises a number of commercial properties that are leased to third parties with varying lease terms and conditions. The estimated fair value of the investment property portfolio as at March 31, 2012 is $204 million (March 31, 2011 - $219 million; January 1, 2010 - $242 million).

The Group is preparing non-port related and non-rail real estate assets for sale. The assets continue to be classified with investment property as they do not currently meet all the criteria for classification as held for sale.

13. EMPLOYEE BENEFITS

The Group makes contributions to a registered retirement savings plan on behalf of its employees which are expensed as contributions are made.

The Group also provides a defined benefit supplemental pension plan for current and retired executives and post-employment benefits for employees upon retirement. The supplementary pension plan is a non-registered benefit plan. There are currently no active members accruing benefits in the supplementary plan. Pension benefits for all inactive members are frozen, except for adjustments for inflation before and after retirement. Post-employment benefits include the reimbursement of certain medical costs after retirement. The amounts presented in this note are actuarially determined projections based on management's assumptions provided to the actuary.

Reporting for the year ended March 31, 2011 is for a 15-month period and reporting for the year ended March 31, 2012 is for a 12-month period.

Pension Plan	**March 31 2012**	**March 31 2011**	**January 1 2010**
Present value of funded obligation	**$ 18,789**	$ 15,814	$ 14,137
Fair value of plan assets	**19,105**	19,832	19,865
Recognized asset for defined benefit pension obligations	**$ 316**	$ 4,018	$ 5,728

Post-Retirement Non-Pension Benefits	**March 31 2012**	**March 31 2011**	**January 1 2010**
Present value of unfunded obligation	**$ 2,279**	$ 1,885	$ 1,354
	$ (2,279)	$ (1,885)	$ (1,354)

Plan Assets

The plan asset portfolio is comprised of the following investment types:

	March 31 2012	**March 31 2011**	**January 1 2010**
Equity securities	**$ 5,540**	$ 5,950	$ 5,761
Debt securities	**3,057**	3,371	2,980
Cash	**382**	198	199
Refundable Tax Account	**10,126**	10,313	10,925
Fair value of plan assets	**$ 19,105**	$ 19,832	$ 19,865

The portfolio's asset mix is reviewed periodically and may vary in the future.

13. EMPLOYEE BENEFITS (continued)

	Pension Plans		Other Plans	
	March 31 2012	March 31 2011	**March 31 2012**	March 31 2011
Movement in the defined benefit obligation				
Opening balance	**$ (15,814)**	$ (14,137)	**$ (1,885)**	$ (1,354)
Current service cost	**-**	-	**(45)**	(43)
Benefits paid	**854**	1,214	**107**	148
Interest cost	**(862)**	(1,103)	**(94)**	(99)
Actuarial gains (losses) in other comprehensive income	**(2,967)**	(1,788)	**(362)**	(537)
Defined benefit obligation at March 31	**$ (18,789)**	$ (15,814)	**$ (2,279)**	$ (1,885)
Movement in the present value of the plan assets				
Opening balance	**$ 19,832**	$ 19,865	**$ -**	$ -
Expected return on plan assets	**631**	854	**-**	-
Employer contributions	**-**	-	**107**	148
Benefits paid	**(854)**	(1,210)	**(107)**	(148)
Actuarial gains (losses) in other comprehensive income	**(504)**	323		
Fair value of plan assets at March 31	**$ 19,105**	$ 19,832	**$ -**	$ -
Expense recognized in profit or loss				
Interest cost	**$ 862**	$ 1,103	**$ 94**	$ 99
Expected return on plan assets	**(631)**	(854)	**-**	-
Service cost	**-**	-	**45**	43
Expense recognized with labour costs	**$ 231**	$ 249	**$ 139**	$ 142
Actuarial losses recognized in other comprehensive income				
Cumulative amount at the beginning of the period	$ 1,465	$ -	$ 537	$ -
Recognized during the period	3,471	1,465	362	537
Cumulative amount at the end of the period	$ 4,936	$ 1,465	$ 899	$ 537

Actuarial Assumptions

The significant actuarial assumptions adopted in measuring the Group's pension plan obligations and non-pension post-employment benefits are as follows:

	Pension Plans		Other Plans	
	March 31 2012	March 31 2011	**March 31 2012**	March 31 2011
Discount rate for liabilities	**4.25%**	5.60%	**4.00%**	5.00%
Expected long-term rate of return on plan assets	**3.25%**	3.50%	**N/A**	N/A

13. EMPLOYEE BENEFITS (continued)

For accounting purposes an actuarial valuation of the benefit obligations was performed at March 31, 2011 to account for the costs for the Plans for the fiscal period beginning April 1, 2011 and ending March 31, 2012 in accordance with IAS 19. In addition, a second actuarial valuation of the benefit obligations was performed at March 31, 2012 to satisfy disclosure requirements under IAS 19.

Actuarial gains and losses are recognized immediately through the statement of other comprehensive income during the year of occurrence.

The Group has an unconditional right to a refund of surplus under the defined benefit supplementary plan. As a result, the Group has assumed that the asset limit as clarified by IFRIC 14 is not applicable to the supplementary plan.

Assumptions regarding future mortality are based on the 1994 Uninsured Pensioner Mortality Table with generational mortality improvements using scale AA.

The weighted average rate of increase in the per capita cost of future covered health care benefits was assumed to be 7.8% per year grading down to an ultimate rate of 4.5% per year after 2027. The effect of a change in health care cost trend rate assumptions is as follows:

	March 31 2012	March 31 2011
Effect on aggregate of current service cost and interest cost		
One percentage point increase	**$ 30**	$ 30
One percentage point decrease	**(23)**	(24)
Effect on post-retirement obligation at fiscal year end		
One percentage point increase	**349**	289
One percentage point decrease	**(283)**	(234)

The expected return on assets of 3.25% is based on a median annualized future return. The actual return on plan asset for the period ended March 31, 2012 was $127,000 (2011 - $1,177,000).

Registered Retirement Savings Plan Contributions
During the period the Group made contributions, on behalf of its employees, to a registered retirement savings' plan of $162,000 (2011 - $276,000).

14. TRADE AND OTHER PAYABLES

	March 31 2012	**March 31 2011**	**January 1 2010**
Trade payables	**$ 336**	$ 350	$ 549
Non-trade payables and accrued expenses	**1,470**	2,037	3,929
Total current	**$ 1,806**	$ 2,387	$ 4,478

15. DEFERRED LEASE REVENUE

	March 31 2012	March 31 2011	January 1 2010
KM operating lease	**$ 33,201**	$ 32,927	$ 31,933
Other investment property leases	**510**	849	1,499
	33,711	33,776	33,432
Less: current portion	**(510)**	(849)	(1,499)
	$ 33,201	$ 32,927	$ 31,933

Deferred lease revenue on investment property leases other than the KM lease is classified as current as it consists of short-term prepayments on various leases. The non-current portion consists of the lease revenue from the 40-year lease to KM for the Vancouver Wharves port terminal facility which has not yet been recognized in profit or loss (Note 5).

During the year, KM performed remediation activities on the site, which reduced the Group's environmental liability accrual. The estimated value of the remediation completed in the year was $1.4 million (2011 - $2.4 million). These services were performed as part of the lease arrangement and were recognized as a reduction in the environmental liability and increase in deferred revenue as the revenue will be recognized in profit or loss over the term of the lease (Note 5).

16. PROVISIONS

	General Environmental	Site Restoration	Total
Balance January 1, 2010	$ 98,178	$ 50,849	$ 149,027
Provisions made during the period	2,676	4,584	7,260
Provisions used during the period	(4,668)	-	(4,668)
Provisions reversed during the period	(1,022)	-	(1,022)
Unwind of discount	772	2,724	3,496
Transfered to deferred lease revenue	(2,398)	-	(2,398)
Balance March 31, 2011	93,538	58,157	151,695
Balance April 1, 2011	93,538	58,157	151,695
Provisions made during the period	351	31,867	32,218
Provisions used during the period	(2,094)	-	(2,094)
Provisions reversed during the period	(115)	-	(115)
Unwind of discount	866	2,326	3,192
Transfered to deferred lease revenue	(1,396)	-	(1,396)
Balance March 31, 2012	**$ 91,150**	**$ 92,350**	**$ 183,500**

a) The general environmental provision consists of the estimated remediation costs required on the portfolio of real estate properties owned by the Group. The risk of environmental liability is inherent in the operation of the Group's business with respect to both current and past operations. As a result, the Group incurs costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements.

16. PROVISIONS (continued)

The Group has recorded provisions for both anticipated expenditures on existing environmental remediation programs and contingent liabilities in relation to specific sites where the expected costs can be reasonably estimated. The Group believes it has identified the costs likely to be incurred over the next several years, based on known information. However, ongoing efforts to identify potential environmental concerns associated with the Group's properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities, the magnitude of which cannot be reasonably estimated.

Also included in the general environmental provision is an estimate related to a portion of a property previously used in the Vancouver Wharves terminal operations and leased from Canada Lands Company Limited ("CLCL"). On June 14, 2002, the Attorney General of Canada commenced legal proceedings in the B.C. Supreme Court against the Company and its subsidiaries alleging that those entities are responsible for soil and groundwater contamination on a site adjacent to the VWLP operation and in Burrard Inlet adjacent to that property as included in the CLCL lease. On February 1, 2008, an Agreement in Principle ("AIP") was reached with Environment Canada which describes the remediation process, the responsibilities of the parties, and the estimated costs of remediation. The AIP which expires March 30, 2013 forms the basis of the negotiations of a final agreement. Based on the agreement principles, management has estimated and recorded a provision in the financial statements. This liability bears interest as follows:

	March 31 2012	**March 31 2011**	**January 1 2010**
Interest rate	**1.15%**	0.84%	0.88%

b) The site restoration provision relates to the land upon which the Vancouver Wharves port terminal facility operates. While the obligation for restoring the site has been assumed by the lessee as part of the lease agreement, the Group retains ultimate responsibility for the obligation therefore the costs will continue to be reflected in these financial statements until such time as management is satisfied that the lessee has completed the remediation work.

The latest independent estimate obtained by the Group of the ultimate remediation costs was in 2009. Since that time the estimate has been reviewed by management and no change has been made. Because of the long-term nature of the site restoration liability, the biggest uncertainty in estimating the provision is the costs that will ultimately be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. Based on these assumptions, as at March 31, 2012, the liability for retirement and remediation, on an undiscounted basis, before applying an inflation factor of 2.5% and discounting is estimated to be approximately $100.6 million (March 31, 2011 - $98.1 million; January 1, 2010 - $95.1 million). The discounted provision increased by $31.9 million in 2012 due to revised estimates of the discount rate (2011 - $4.6 million increase). Management has assumed the following discount rates based on long-term Government of Canada Bond rates:

	March 31 2012	**March 31 2011**	**January 1 2010**
Discount rate	**2.75%**	4.00%	4.25%

17. SHARE CAPITAL

Authorized: 10,000,000 common shares with a par value of $100 each.

Issued and outstanding March 31, 2012, March 31, 2011, and January 1, 2010: 2,576,885 common shares held by the BCTFA (subsidiary of the Province).

18. CONTRIBUTED SURPLUS

During the period ended March 31, 2012, based on a directive from the Province, the Group made payments of $15 million (2011: $173 million) from its contributed surplus to the Province.

	March 31 2012	March 31 2011
Balance, beginning of the period	**$ 104,547**	$ 277,547
Payments to the Province	**(15,000)**	(173,000)
Balance, end of the period	**$ 89,547**	$ 104,547

19. FINANCIAL INSTRUMENTS

Risk management
In the normal course of business, the Group is exposed to various risks such as credit risk, interest rate risk, and liquidity risk. To manage these risks, the Group follows a financial risk management framework, which is monitored and approved by the Group's Board of Directors, with a goal of maintaining a strong balance sheet, optimizing earnings and free cash flow, financing its operations at an optimal cost of capital and preserving its liquidity. The Group does not currently use derivative financial instruments. At March 31, 2012, the Group did not have any derivative financial instruments outstanding (March 31, 2011 – nil; January 1, 2010 – nil).

(a) Credit risk
In the normal course of business, the Group monitors the financial condition and credit limits of its customers and reviews the credit history of each new customer. To manage its credit risk, the Group's focus includes the active management of relationships with customers to ensure timely payments, and requiring increased financial security through guarantees or letters of credit.

Included in Other Receivables (Note 10(b)) is $64 million of long-term receivables due from CN Rail, CP Rail, and Burlington Northern Railway which will be recovered based on the relative usage by the railroads at the time the assets are retired. In addition, there is a further $8 million (Note 10(c)) in long-term notes receivable from CN Rail, which remain as part of the 2004 transaction and are repayable in July 2094.

19. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate
The Group is exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will vary as a result of changes in market interest rates. Such risk exists in relation to the funded status of the Group's pension and post-retirement plans, its money market instruments and joint capital account receivables. A 25 bps change to interest rates on the money market instruments and joint capital account receivables would have an impact of $334,000 and $160,000 respectively (March 31, 2011 - $371,000 and $139,000 respectively; January 1, 2010 - $782,000 and $122,000 respectively) on the Group's profit or loss. The pension plan investments are monitored by the board and management and managed by external pension fund managers.

The Group does not currently hold any derivative financial instruments to manage its interest rate risk.

(c) Liquidity risk
The Group monitors and manages its cash requirements to ensure access to sufficient funds to meet operational and investing requirements. The Group pursues a solid financial policy framework with the goal of maintaining a strong balance sheet, by monitoring its current ratio, and free cash flow forecasts.

The Group's principal source of liquidity is cash generated from the disposal of non-core assets. The Group's primary uses of funds are for working capital requirements, as they come due, pension and post-retirement benefit contributions, contractual obligations, capital expenditures to prepare properties for sale, funding future environmental obligations, and other potential acquisitions. As such, the Group sets priorities on its uses of available funds based on short-term operational requirements, while keeping in mind its long-term contractual obligations and returning value to its shareholders.

Fair value of financial instruments
GAAP defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Group uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Statement of Financial Position under the following captions:

(a) Cash and cash equivalents, trade accounts receivable, and trade and other payables:
The carrying amounts approximate fair value because of the short maturity of these instruments.

(b) Other assets:
   i) Joint Capital Account Receivables – these receivables generate interest at current market terms for instruments with similar terms and conditions, therefore the fair value approximates the carrying value.

   ii) Long-Term Note Receivable from CN – the estimated fair value of the notes as at March 31, 2012 is $19 million (March 31, 2011 – $8 million; January 1, 2010 – $4 million); however due to the unique terms and conditions of the notes, there is a limited market or opportunity to readily dispose of these instruments.

19. FINANCIAL INSTRUMENTS (continued)

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company does not have any financial instruments which are carried at fair value.

Capital Management

As a result of its ownership by the Province of British Columbia, the Group is not able to obtain financing through the issuance of new equity. All capital resources, both sustaining and growth or investment capital, must be generated out of operating cash flows or disposals of surplus property, or, where there is a shortfall, through debt.

The Group currently has no debt outstanding and is retaining surplus equity to fund operating costs and disposition costs for non-port related and non-rail real estate properties, capital requirements for additional rail capacity and related infrastructure for port terminal expansions at Roberts Bank.

The Group made payments to the Province during the year of $15 million from its contributed surplus (2011 - $173 million).

20. OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	March 31 2012
Less than 1 year	$ 256
Between 1 and 5 years	415
More than 5 years	-
	$ 671

The Group leases office space and office equipment under operating leases. The office leases typically run for a period of 5 to 10 years and the office equipment for a period of 1 to 3 years.

During the year ended March 31, 2012 an amount of $415,000 was recognized as an expense in profit or loss in respect of operating leases (2011: $504,000).

20. OPERATING LEASES

Leases as Lessor

The Group leases out certain investment property held under operating leases (Note 12). The future minimum lease payments under non-cancellable leases are as follows:

	March 31 2012	March 31 2011	January 1 2010
Less than 1 year	**$ 1,052**	$ 1,624	$ 2,441
Between 1 and 5 years	**980**	1,385	1,401
More than 5 years	**765**	830	936
	$ 2,797	$ 3,839	$ 4,778

The 40-year operating lease with KM was prepaid and therefore no future payments are included above for this lease. Total proceeds are amortized to income annually resulting in rental income of $4.0 million per year.

21. CAPITAL COMMITMENTS

The Group is committed to the following funding agreements:

a) Roberts Bank Rail Corridor Grade Separations

In support of the Asia-Pacific Gateway and Corridor Initiative, in 2009 the Group committed to share in the funding of two of the nine road/rail grade separations proposed for the Roberts Bank Rail Corridor up to a total of $21 million. As at March 31, 2012, the Group has funded $6.8 million of the total commitment (March 31, 2011 – nil; January 1, 2010 – nil). Contributions to this project are included with the Joint Capital Account receivables (Note 10(b)).

b) North Shore Trade Area ("NSTA") Improvements

In 2009, the Group committed to share in the funding of infrastructure improvements along the North Shore of Burrard Inlet in North Vancouver, British Columbia. The NSTA improvements are expected to occur over the next 3 years. The Group has committed to contributing up to $32 million to the project including a strip of land with an approximate value of $5 million. No funding has yet occurred on this project. As the contributions are not expected to contribute to the Group's infrastructure network, they will be treated as a distribution once the Group has an irrevocable obligation to a third party.

22. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

22. DETERMINATION OF VALUES (continued)

a) Investment Property

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, value the Group's investment property portfolio as required for property disposal purposes (usually every 12 to 24 months). The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

For those properties not currently for sale, the properties are valued by an external independent valuation company every 2 to 3 years or if there has been a significant change in the market conditions.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

b) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

c) Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

23. CONTINGENCIES

The Group is contingently liable with respect to environmental obligations and pending litigation and claims arising in the normal course of business. Provisions have been made based on the best estimates of management with the information available (Note 16). Estimates are periodically reviewed and will be adjusted in the period that additional information becomes available.

24. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

The components of changes in non-cash working capital balances relating to operations are as follows:

	March 31 2012	March 31 2011
Accounts receivable	**$ 648**	$ 778
Materials and other items	**(140)**	(344)
Accounts payable and accrued liabilities	**(581)**	(2,091)
Current portion of deferred revenue	**(339)**	(650)
	$ (412)	$ (2,307)

25. RELATED PARTIES

All transactions with the Province of BC and its ministries, agencies and Crown corporations occurred in the normal course of business and are at arm's length, which is representative of fair value, unless otherwise disclosed in these notes.

Key Management Personnel Compensation
The Group has defined key management as management employees at the Vice-President level and above and members of the Board of Directors.

In addition to their salaries, the Group also provides employment and post-employment benefits to executive officers, and contributes to an RRSP on their behalf.

Key management personnel compensation comprised:

	12 months ended March 31 2012	15 months ended March 31 2011
Short-term employee benefits	$ 405	$ 791
Termination benefits	-	595
	$ 405	$ 1,386

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. The related entities charged management fees to recover the related personnel costs in the reporting period.

25. RELATED PARTIES (continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	12 months ended March 31 2012	15 months ended March 31 2011
Employee Costs (a)	$ 946	$ 259
Consulting Fees (b)	-	275
	$ 946	$ 534

(a) The Group received employee services from employees of MoTI.
(b) The Group received consulting services from MoTI during the transition period to ownership and supervision by MoTI in 2010.

The balance outstanding at March 31, 2012 to MoTI is $139,000 (March 31, 2011 - $401,000; January 1, 2010 - nil).

Other Related Party Transactions

All outstanding balances with these related parties are to be settled in cash within 3 months of the reporting date. None of the balances are secured. During the financial year there were no transactions or outstanding balances with BCTFA.

Other related party transactions have been disclosed elsewhere in the notes to the consolidated financial statements.

26. EXPLANATION OF TRANSITION TO IFRSs

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs
	Note	January 1, 2010			March 31, 2011		
ASSETS							
Current assets							
Cash and cash equivalents		315,010	-	315,010	153,371	-	153,371
Trade and other receivables		5,031	-	5,031	4,103	-	4,103
Materials and other items		282	-	282	626	-	626
Prepaid expenses		-	-	-	-	-	-
Inventories		-	-	-	-	-	-
Assets classified as held for sale	*e*	25,276	(25,276)	-	22,186	(22,186)	-
Total current assets		345,599	(25,276)	320,323	180,286	(22,186)	158,100
Non-current assets							
Other receivables	*c, h*	-	64,899	64,899	-	75,448	75,448
Property and equipment	*a, b*	272,623	(272,439)	184	264,543	(264,459)	84
Investment property	*b, c, e*	-	101,734	101,734	-	99,192	99,192
Other assets	*a, c, d*	81,153	(81,153)	-	91,206	(91,206)	-
Employee benefits	*d*	-	5,728	5,728	-	4,018	4,018
Total non-current assets		353,776	(181,231)	172,545	355,749	(177,007)	178,742
Total assets		699,375	(206,507)	492,868	536,035	(199,193)	336,842

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

Reconciliation of equity (continued)

	Note	Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs
		January 1, 2010			March 31, 2011		
LIABILITIES AND SHAREHOLDER'S EQUITY							
Current liabilities							
Trade and other payables	*h*	2,923	1,555	4,478	1,930	457	2,387
Deferred lease revenue		1,499	-	1,499	849	-	849
Total current liabilities		4,422	1,555	5,977	2,779	457	3,236
Non-current liabilities							
Deferred lease revenue	*a*	312,703	(280,770)	31,933	313,341	(280,414)	32,927
Provisions	*c, d*	132,710	16,317	149,027	130,787	20,908	151,695
Employee benefits	*d*	-	1,354	1,354	-	1,885	1,885
Total non-current liabilities		445,413	(263,099)	182,314	444,128	(257,621)	186,507
Total liabilities		449,835	(261,544)	188,291	446,907	(257,164)	189,743
Equity							
Share capital		257,688	-	257,688	257,688	-	257,688
Contributed surplus		277,547	-	277,547	104,547	-	104,547
Deficit		(285,695)	55,037	(230,658)	(273,107)	57,971	(215,136)
Total equity		249,540	55,037	304,577	89,128	57,971	147,099
Total liabilities and equity		699,375	(206,507)	492,868	536,035	(199,193)	336,842

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

Reconciliation of comprehensive income for the 15 months ended March 31, 2011

	Note	Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs
		March 31, 2011		
Revenues	*a, c, g*	20,168	16	20,184
Expenses				
Labour costs	*d*	4,251	391	4,642
Operations and maintenance	*a, f*	4,751	(4,751)	-
Repairs and maintenance	*f*	-	3,328	3,328
Professional services	*f*	-	2,029	2,029
Information technology	*f*	-	933	933
Administrative	*d, f*	4,211	(2,573)	1,638
Depreciation	*a, e*	4,796	(4,139)	657
Environmental costs	*f, i*	2,634	(768)	1,866
Property taxes		2,367	-	2,367
		23,010	(5,550)	17,460
Other income				
Gain on sale of investment property		14,369	-	14,369
Other	*g*	-	602	602
		14,369	602	14,971
Results from operating activities		11,527	6,168	17,695
Finance income		3,325	-	3,325
Finance costs	*c, i*	(2,264)	(1,232)	(3,496)
Net finance income		1,061	(1,232)	(171)
Profit for the period		12,588	4,936	17,524
Other comprehensive income				
Defined benefit plan actuarial gains (losses)	*d*	-	(1,465)	(1,465)
Post-retirement obligation actuarial gains (losses)	*d*	-	(537)	(537)
Other comprehensive income for the period		-	(2,002)	(2,002)
Total comprehensive income for the period		12,588	2,934	15,522

Material adjustments to the statement of cash flows for the 15 months ended March 31, 2011

As a result of the transition to IFRS, cash flows from operating activities decreased by $1.28 million and cash flows from investing activities increased by $1.28 million.

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

a) CN Lease Transaction

Under previous Canadian GAAP, the lease to CN Railway of the right-of-way land and railbed assets was classified as an operating lease. The related proceeds from the operating lease which were prepaid at the time of the transaction were being recognized as deferred revenue and amortized to income on a straight-line basis over the term of the lease. Under IFRSs the right-of-way land and railbed assets leased to CN are treated as a finance lease because the following factors indicate that substantially all risks and rewards of ownership have been transferred to the lessor:

i. exceptionally long-term nature of the lease (990 years including renewal periods),
ii. the non-refundable prepayment of the fair value of the assets and operation at the inception of the lease,
iii. the obligations and responsibilities of CN to maintain the right-of-way land and railbed assets during the lease period.

The effect of this change in classification is to decrease property, plant and equipment by the book value of the right-of-way land and railbed assets, decrease deferred revenue for the unamortized prepaid lease revenue, and expense the unamortized deferred property transfer tax paid at the time of the transaction. In addition, for the 15 months ended March 31, 2011, annual depreciation expense decreases by $4.2 million, lease revenues related to deferred revenue decrease by $356 thousand and operating expenses increased by $183 thousand for costs associated with the lease which were capitalized to property, plant and equipment under previous Canadian GAAP.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	For the 15 months ended March 31, 2011
Decrease in revenues	(356)
Increase in operating expenses re tenure review costs	(183)
Decrease in depreciation charge	4,248
Increase in net profit	3,709

Consolidated statement of financial position	January 1, 2010	March 31, 2011
Decrease in property, plant and equipment	(212,079)	(208,026)
Decrease in deferred lease revenue	280,770	280,414
Decrease in other assets (deferred property transfer tax)	(8,957)	(8,946)
Increase to retained earnings	59,734	63,442

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

b) Investment Property

Consistent with the Group's accounting policy, assets which meet the definition of investment property have been reclassified as such and measured at cost less accumulated depreciation and accumulated impairment losses at the date of transition. Management has assessed that cost under IFRS approximates cost under previous Canadian GAAP therefore there is minimal impact to the financial statements other than the reclassification from property, plant and equipment to investment property.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position	January 1, 2010	March 31, 2011
Increase in investment property	60,218	56,291
Decrease in property, plant and equipment	(60,360)	(56,433)
Increase to retained earnings	(142)	(142)

c) Site restoration provision

As described in note 16, the lessee of the VWLP port terminal facility assumed responsibility to complete certain projects designed to prevent further off-site migration of contamination on the VWLP leased land during the lease and to remediate the contamination at the end of the lease. However, the Group retains ultimate responsibility for the remediation, therefore under IFRSs, a constructive obligation exists and a site restoration provision must be recorded until the obligation is settled.

While an obligation was also recorded under previous Canadian GAAP, the discount rate used to estimate the present value of the future obligation is different under IFRS. Previous Canadian GAAP required the use of the Group's "credit-adjusted risk free rate" and specified that the historical rate be retained for the prior year's calculations and either the historical rate (downwards adjustments) or current rate (upwards adjustments) be used for any subsequent adjustments to the site restoration provision estimate. Under IFRSs the obligation is reassessed each year and recalculated using the current year's discount rate, which is a pre-tax rate that reflects the time value of money and the risks specific to the liability but which does not reflect the Group's own credit risk. Any such change in the obligation results in a corresponding change to the investment property.

As responsibility for the obligation was assumed by KM, the lessee, changes in the obligation result in adjustments to lease proceeds, which are accumulated as revenues and receivables over the term of the lease and are deemed to be collected once the remediation activities are completed.

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

c) Site restoration provision (continued)

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	For the 15 months ended March 31, 2011
Increase in revenues	974
Increase in accretion expense	(460)
Increase in net profit	514

Consolidated statement of financial position	January 1, 2010	March 31, 2011
Increase in investment property	16,323	20,907
Increase in site restoration provision	(17,357)	(22,401)
Reclassification from other assets	(61,023)	(71,696)
Reclassification to other receivables	61,023	71,696
Increase in other receivables	2,321	3,295
Increase to retained earnings	1,287	1,801

d) Actuarial gains and losses reclassification

Under IFRSs, the Group's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings. The unrecognized actuarial gains and losses exceeding the corridor that were recognized in profit or loss for the 15 months ended March 31, 2011 under previous Canadian GAAP were reversed and all actuarial gains and losses arising in 2010/2011 ($1.5 million) were recognized in other comprehensive income.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	For the 15 months ended March 31, 2011
Reclassification of expense from administrative	1,213
Reclassification of expense to labour	(1,213)
Decrease in labour expenses re defined benefit pension plan	363
Decrease in labour expenses re post-retirement benefit plan	459
Increase in defined benefit plan actuarial losses	(1,465)
Increase in post-retirement benefit plan actuarial losses	(537)
Decrease in net comprehensive income	(1,180)

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

d) Actuarial gains and losses reclassification (continued)

Consolidated statement of financial position	**January 1, 2010**	**March 31, 2011**
Reclassification from other assets	(11,173)	(10,564)
Reclassification to employee benefits asset	11,173	10,564
Decrease in employee benefits asset	(5,445)	(6,546)
Defined benefit plan	(5,445)	(6,546)
Reclassification from provisions	1,040	1,493
Reclassification to employee benefits liability	(1,040)	(1,493)
Increase in employee benefits liability	(314)	(392)
Post-retirement benefit plan	(314)	(392)
Decrease to retained earnings	(5,759)	(6,938)

e) Reclassification of Assets Available for Sale

Under previous Canadian GAAP, certain assets that were ready for sale were classified as available for sale. Under IFRSs, these assets no longer meet the criteria for classification as held for sale therefore they have been reclassified with investment property. In addition, the depreciation expense has been adjusted as under previous Canadian GAAP, the assets classified as available for sale were no longer being depreciated.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	**For the 15 months ended March 31, 2011**
Increase in depreciation charge	(109)
Decrease in net profit	(109)

Consolidated statement of financial position	**January 1, 2010**	**March 31, 2011**
Reclassification from assets available for sale	(25,276)	(22,186)
Reclassification to investment property	25,276	22,186
Increase in accumulated depreciation	(83)	(192)
Decrease to retained earnings	(83)	(192)

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

f) Reclassification of Expenses

Under IFRSs the expenses must be presented either by their nature or by their function. The Group has therefore reclassified their expenses to present them by their nature.

The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	**For the 15 months ended March 31, 2011**
Reclassification from operations and maintenance expenses	(4,934)
Reclassification from administrative expenses	(1,360)
Reclassification to repairs and maintenance	3,328
Reclassification to professional services	2,029
Reclassification to information technology	933
Reclassification to environmental costs	4
Increase in net profit	-

g) Reclassification of Legal Settlement Proceeds

The proceeds received from a legal settlement were reclassified under IFRSs from revenue to other income. The impact arising from the change is summarized as follows:

Consolidated statement of comprehensive income	**For the 15 months ended March 31, 2011**
Decrease in revenue	(602)
Increase in other income	602
Increase in net profit	-

h) Adjustment to Joint Capital Account Receivables

During the transition to IFRS, the Group identified and recorded additional accrued liabilities and the related receivables as at January 1, 2010 and March 31, 2011. The impact arising from the change is summarized below:

Consolidated statement of financial position	**January 1, 2010**	**March 31, 2011**
Increase in other receivables	1,555	457
Increase in trade and other payables	(1,555)	(457)
Change to retained earnings	-	-

26. EXPLANATION OF TRANSITION TO IFRSs (continued)

i) Reclassification of interest earned on general environmental provision

During transition to IFRS, the Group identified interest that had previously been classified as environmental expense which should be classified as accretion expense under IFRS. The impact arising from the change is summarized below:

Consolidated statement of comprehensive income	For the 15 months ended March 31, 2011
Reclassification from environmental expense	772
Reclassification to accretion expense	(772)
Change in net profit	-

j) Optional Exemptions on Transition to IFRSs

At the date of transition to IFRSs, the Group has taken the following optional exemptions pursuant to IFRS 1:

i. Election to not restate any of its past business combinations (entered into prior to the date of transition to IFRSs). This did not result in any impact as a result of the transition to IFRSs.

ii. Election to grandfather the previous Canadian GAAP carrying amount of capitalized borrowing costs at the date of transition. This did not result in any impact as a result of the transition to IFRSs.

iii. Election to not reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP.