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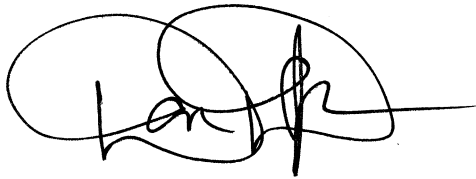
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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The 2001/02 fiscal year was marked by significant change at the BC Transportation Financing Authority, as its role shifted from “operating company” to “holding company”. Accordingly, this annual report focuses on the accomplishments of the organization in making this transition.

A handwritten signature in black ink, appearing to read 'Dan Doyle', enclosed within a large, loopy oval shape.

Dan Doyle
Chief Executive Officer

CORPORATE PROFILE

The BC Transportation Financing Authority (BCTFA) is a provincial Crown corporation, established in 1993 through the Build BC Act. The purpose of the BCTFA, as set out in the Act, is to “plan, acquire, hold, construct, improve, or cause to be constructed or improved transportation infrastructure throughout British Columbia”.

The BCTFA’s role shifted in 2001/02 to be better aligned with the mandate of the new Ministry of Transportation. The ministry has responsibility for strategic planning across all transportation modes and for the development and maintenance of B.C.’s highway system. The BCTFA continues to hold the provincial highway assets and related lands and to finance investments in transportation infrastructure, through the Province’s off-lending program and through dedicated fuel taxes.

The future role of the BCTFA is being examined as part of a long-term financing strategy for transportation infrastructure, including the development of a legal and policy framework for public-private transportation partnerships.

The BCTFA has a wholly-owned subsidiary, Highway Constructors Ltd. (HCL), which employs the labour force for certain highway capital projects tendered prior to September 2001. HCL will be wound up once its outstanding contractual commitments are met in 2003.

GOVERNANCE

The Honourable Judith Reid, Minister of Transportation, is the Minister responsible for the BCTFA and the sole member of the Board of Directors. The Chief Executive Officer is Dan Doyle, Deputy Minister of Transportation.

The Board is required, under the Build BC Act, to meet at least four times per year.

YEAR IN REVIEW

Restructuring

In June 2001, work commenced to merge the management of the BCTFA with the Ministry of Transportation. Certain functions of the BCTFA – such as new procurement approaches and partnership arrangements – were transferred to the ministry. The merged organizational structure resulted in 45% of BCTFA staff and their functions moving to the ministry. The remaining BCTFA staff were offered placement in the Ministry of Transportation or other ministries or offered severance.

Capital investment and financing

In 2001/02, the BCTFA invested \$344.1 million in capital assets, financed by contributions from partners of \$19.7 million and the balance from borrowing through the province's fiscal agency loan program. Most new borrowing was in short-term variable rate debt to take advantage of historically low short-term rates. This debt will be rolled over to longer term debt as it matures, in a manner consistent with the province's borrowing strategy. Details of capital investments, as required under the Budget Transparency and Accountability Act, are set out in the annual report of the Ministry of Transportation.

Grants

Grants in support of provincial, municipal and regional transportation needs totaling \$17.3 million were made in 2001/02. The grants supported a variety of transportation modes including construction of cycling networks; improvements to community airports; development of the Trans Canada Trail; interim funding for start-up costs of the SkyTrain Millennium Line; and development of High Occupancy Vehicle (HOV) and transit priority programs.

Performance measures

Performance measures for BCTFA that have been continued under the Ministry of Transportation have been reported in the ministry's annual report.

Report of the Auditor General of British Columbia


*To the Chair of the Board of the BC Transportation
Financing Authority, and
To the Minister of Transportation,
Province of British Columbia:*

I have audited the consolidated balance sheet of *BC Transportation Financing Authority* as at March 31, 2002 and the consolidated statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *BC Transportation Financing Authority* as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 31, 2002*


Wayne Strelieff, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Financial Statements
Year ended March 31, 2002

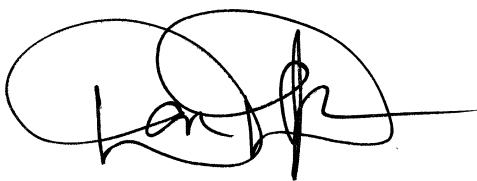
Management Report

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

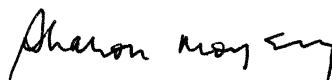
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial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

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

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



Dan Doyle
Chief Executive Officer



Sharon Moysey
Executive Director
Finance and Administration and
Corporate Secretary

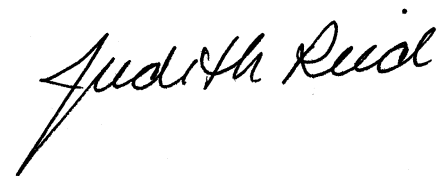
BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Balance Sheet

As at March 31	2002	2001
	(\$ 000s)	(\$ 000s)
Assets		
Current assets		
Cash and temporary investments (Note 2)	4,634	7,433
Marketable securities (Note 3)	317	317
Accounts receivable	26,986	25,651
	<u>31,937</u>	<u>33,401</u>
Long term receivables (Note 4)	6,276	-
Corridor protection (Note 5)	33,823	34,123
Capital assets (Note 6)	6,150,861	6,079,850
Debt issue costs	8,461	10,564
	<u>6,231,358</u>	<u>6,157,938</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	54,550	133,722
Interest payable	28,406	32,230
	<u>82,956</u>	<u>165,952</u>
Capital debt net of sinking funds (Note 7)	2,513,839	2,196,120
Deferred capital contributions (Note 8)	3,016,733	3,178,206
	<u>5,613,528</u>	<u>5,540,278</u>
Equity		
Retained earnings	97,406	97,326
Contributed surplus (Note 8)	520,424	520,334
	<u>617,830</u>	<u>617,660</u>
	<u>6,231,358</u>	<u>6,157,938</u>
Commitments (Note 17)		
Contingencies (Note 18)		

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

On behalf of the Board:



Director

BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Statement of Earnings and Retained Earnings

Year ended March 31	2002	2001
	(\$ 000s)	(\$ 000s)
Revenues		
Dedicated taxes (Note 9)	196,724	199,541
Provincial grant	42,160	-
Amortization of deferred contributions (Note 8)	188,667	189,718
Contractors' fees (Note 10)	30,098	80,568
Other (Note 11)	8,145	6,639
	<u>465,794</u>	<u>476,466</u>
Expenditures		
Operations		
Construction wages and benefits (Note 10)	30,160	80,568
Grant programs (Note 12)	17,293	11,435
Sierra Yoyo Desan Road improvements (Note 13)	2,775	2,330
Transportation planning	1,943	1,995
Training programs	35	14
General and administrative expenses		
Ministry of Transportation (Note 14)	15,400	18,700
Salaries and benefits	3,623	3,643
Professional services	1,049	1,417
Office	806	802
Rent	369	359
Travel	224	279
Amortization	263,417	247,945
Interest (Note 15)	118,578	106,290
Write down of project costs and disposal of assets	10,042	-
	<u>465,714</u>	<u>475,777</u>
Earnings from operations	80	689
Retained earnings, beginning of year	<u>97,326</u>	<u>96,637</u>
Retained earnings, end of year	<u>97,406</u>	<u>97,326</u>

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

BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Statement of Cash Flows

Year ended March 31	2002	2001
	(\$ 000s)	(\$ 000s)
<i>Cash flows from operating activities</i>		
Earnings from operations	80	689
Items not effecting cash		
Amortization	263,417	247,945
Deferred capital contributions	(188,667)	(189,718)
Write down of project costs and disposal of assets	10,042	-
Changes in non-cash operating working capital	(1,280)	(11,662)
Loss on disposal of assets	(19)	-
	<u>83,573</u>	<u>47,254</u>
<i>Cash flows from financing activities</i>		
Increase in capital debt – borrowings	360,130	394,123
Change in payables related to capital infrastructure	(83,052)	50,235
Additions to deferred capital contributions	27,194	19,858
Contribution to sinking funds	(42,411)	(34,655)
Change in debt issue costs	2,101	(1,876)
	<u>263,962</u>	<u>427,685</u>
<i>Cash flows used in investing activities</i>		
Additions to capital assets	(344,058)	(484,525)
Long term receivables	(6,276)	-
	<u>(350,334)</u>	<u>(484,525)</u>
<i>Net decrease in cash and temporary investments</i>	(2,799)	(9,586)
<i>Cash and temporary investments, beginning of year</i>	7,433	17,019
	<u>4,634</u>	<u>7,433</u>
<i>Cash and temporary investments, end of year (Note 2)</i>	<u>4,634</u>	<u>7,433</u>

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation of the Province of British Columbia by the enactment of the Build BC Act with a mandate to plan, acquire, construct, hold and improve transportation infrastructure throughout British Columbia. As part of government restructuring, management of the BCTFA has been merged with the Ministry of Transportation and its role has shifted from being an “operating company” to a “holding company”. The future of the BCTFA is dependent on work underway to establish the policy and legal framework for public-private partnerships for provincial highways. This work is expected to be completed in 2002/03.

BCTFA owns all provincial highways, one inland ferry and lands held for future highway development. Administration, regulatory responsibility and operational authority for management of the highways, as set out in the Highway Act, are the responsibility of the Minister and the Ministry of Transportation.

Highway Constructors Ltd. (HCL), a wholly owned subsidiary, was formed to provide the labour force and labour relations structure for contractors working on major transportation infrastructure projects. During the year ended March 31, 2002, HCL provided the labour force to the following projects: Vancouver Island Highway Project; Lions Gate Bridge Rehabilitation, Port Mann Bridge, and Rapid Transit Project 2000 Ltd. in the Lower Mainland; Highway 1: Cache Creek to the Rockies in the Interior; John Hart Bridge in Prince George; and the Nisga’a Highway Improvement Project in the Nass Valley. HCL will cease operations when its legal obligation to provide the labour force for contractors is complete.

1. Significant accounting policies:

a) Basis of presentation:

As prescribed by Section 18(8) of the Build BC Act, the consolidated financial statements of BCTFA are prepared in accordance with Canadian generally accepted accounting principles.

b) Principles of consolidation:

The consolidated financial statements include the assets, liabilities and operating results of BCTFA and its wholly owned subsidiary, HCL. Inter-company accounts and transactions are eliminated. General and administrative costs of HCL that relate directly to the provision of labour and associated services of BCTFA projects are capitalized as part of the cost of constructing the related infrastructure.

c) Temporary investments and marketable securities:

Temporary investments and marketable securities are carried at the lower of cost and fair market value.

d) Corridor protection:

Corridor protection properties are stated at cost. These properties are held for future highway development. The cost of these properties will become part of work in progress when the applicable projects commence.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

1. Significant accounting policies (continued):

e) Capital assets:

Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. Capitalization of interest during construction ceases at the end of the year when a project is substantially complete and ready to use. Project costs are written down in the year it is determined no tangible asset will result.

Highway infrastructure transferred from the Province of British Columbia is recorded at net book value and, where necessary, estimates were used.

Completed infrastructure, office equipment and leasehold improvements are stated at cost. Assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Asset	Useful Life
Surfacing, safety improvements, and equipment	15 years
All other completed infrastructure costs (excluding land)	40 years

f) Deferred capital contributions:

Deferred capital contributions include the offset for the highway infrastructure transferred to the BCTFA from the Province of British Columbia and other capital contributions received from outside agencies. These contributions are amortized to income at the same rate as the related highway infrastructure is amortized to expense.

g) Federal and provincial taxes:

Both the BCTFA and HCL are exempt from corporate income taxes. HCL is subject to the Goods and Services Tax.

h) Bond discounts, premiums and issue costs:

Bond discounts and premiums are amortized using the effective yield method over the term of the related debt. Fiscal agency fees are capitalized in the year incurred. Other issue costs are deferred and written off on a straight-line basis over the term of the related debt.

i) Related party transactions:

The BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations, and are recorded at the exchange amount.

j) Use of estimates:

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

2. Cash and temporary investments:

Cash and temporary investments at the end of the period consist of deposits with banks and investments in money market instruments.

(\$ 000s)	2002	2001
Cash	2,379	(734)
Temporary investments	2,255	8,167
	4,634	7,433

3. Marketable securities:

As part of the Ballard Power Systems Inc. and Province of BC Fuel Cell Program Agreement, BCTFA holds 28,250 shares with a market value of \$1.4 million at March 31, 2002 (2001 - \$1.7 million).

BCTFA also holds 499,720 share purchase warrants in Hillsborough Resources Ltd. These warrants expire on October 5, 2005. Each warrant entitles the BCTFA to purchase a common share at a price of \$0.36. The market value at March 31, 2002, was \$0.56.

4. Long term receivables:

At March 31, 2002, this consists of receivables from partners in economic development projects. Interest rates range from 0% to 9.325% with terms from 9 to 20 years.

5. Corridor protection:

A corridor protection fund has been established to support the acquisition of properties in advance of need as part of a corridor protection strategy. The assessed value of corridor protected lands at March 31, 2002, was \$228.9 million.

(\$ 000s)	2002	2001
Cash	4,006	4,006
Properties - Purchased by BCTFA	5,624	5,624
	9,630	9,630
Properties - Transferred from the Province	24,193	24,493
	33,823	34,123

6. Capital assets:

(\$ 000s)			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	781,683		781,683	781,824
Work in progress	127,046		127,046	374,916
Completed infrastructure	6,028,418	786,286	5,242,132	4,922,651
Office equipment and leasehold improvements	894	894	-	459
	6,938,041	787,180	6,150,861	6,079,850

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

7. Capital debt and sinking fund:

(\$ 000s)	2002	2001
Bonds and notes payable to the Province of British Columbia		
Fixed-rate debt:		
Various issues at an average effective interest rate of 6.582% (2001 – 6.352%) maturing at various times to 2039.	1,647,499	1,649,315
Variable-rate debt:		
Various issues at an average effective interest rate of 3.602% (2001 – 5.468%), maturing at various times to 2027.	992,927	630,980
	2,640,426	2,280,295
Sinking funds on deposit with the Province of British Columbia	(126,587)	(84,175)
Net capital debt	2,513,839	2,196,120

At March 31, 2002, the coupon rates on fixed-rate debt ranged from 5.70% to 9.50% (2001 – 5.70% to 9.50%). All foreign currency debt has been swapped to Canadian dollars.

Sinking funds are established to retire debt. Projected sinking fund contributions for each of the next five years are (in 000s):

2003	\$50,431
2004	\$58,839
2005	\$66,924
2006	\$74,405
2007	\$80,920

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

Pursuant to Section 23(1) of the Build BC Act, BCTFA may borrow the sums of money considered necessary to carry out its mandate. At March 31, 2002, the BCTFA was authorized to borrow up to \$2,597 million, net of sinking funds.

8. Deferred Capital Contributions:

Deferred capital contributions consist of the offset for highway assets transferred from the Province and value received from outside agencies for infrastructure projects. Contributions are deferred and amortized to income at the same rate as the related infrastructure is amortized to expense. The offset for contributions related to land is not amortized and is stated as contributed surplus.

(\$ 000s)	Opening Balance	Additions/ (Disposal)	Amortization	Closing Balance
Deferred Capital Contributions	3,178,206	27,194	(188,667)	3,016,733
Contributed Surplus	520,334	90		520,424
Total Contributions	3,698,540	27,284	(188,667)	3,537,157
Consisting of:				
Provincial government	3,665,173	3,462	(188,611)	3,480,024
Federal government	14,753	3,120		17,873
Municipal governments	7,137	837	(31)	7,943
Other	11,477	19,865	(25)	31,317
	3,698,540	27,284	(188,667)	3,537,157

9. Dedicated taxes:

Under the Build BC Act, the Province of British Columbia collects gasoline and motor fuel taxes on behalf of BCTFA under Section 13 of the Motor Fuel Tax Act (3.25 cents per litre), and car rental taxes under Section 26 of the Social Services Tax Act (\$1.50 per car rental day).

(\$ 000s)	2002	2001
Tax revenues earned:		
Motor Fuel Tax Act	185,724	188,541
Social Services Tax Act	11,000	11,000
	196,724	199,541

10. HCL operations:

HCL is the employer of the construction labour force on various transportation infrastructure projects. HCL recovers its construction labour costs from the construction contractors. Payments and recoveries in the year ended March 31, 2002, were \$56.1 million (2001 - \$123.6 million), made up of \$30.1 million from contractors for non-BCTFA projects (Rapid Transit Project 2000 Ltd.) and \$26.0 million from contractors on BCTFA projects. Construction labour costs on BCTFA projects are capitalized as part of the cost of constructing the related infrastructure.

11. Other revenue:

(\$ 000s)	2002	2001
Sierra Yoyo Desan Road tolls (Note 14)	2,775	2,330
Properties	3,329	2,501
Economic development projects	1,014	843
Other	1,027	965
	8,145	6,639

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

12. Grant programs:

The BCTFA provided grants under the following programs:

Application-driven programs -

- Air Transport Assistance Program - capital works at community airports.
- Cycling Network Program - municipal and provincial cycling infrastructure.
- Local Roads component of the Infrastructure Works Program - capital works on local roads.
- Newly Incorporated Territory Program - road improvements to fulfil outstanding commitments under the former provincial Incorporation Assistance Program.

Other contributions -

- HOV/Transit Priority Program – cost-sharing with municipal and regional governments to leverage higher vehicle occupancy and transit use.
- Regional Road Network Program – cost-sharing with municipal and regional governments for improvements to public roads not operated by the province that offer significant benefits to the provincial transportation system.
- Trans Canada Trail Initiative - improvements to key bridges and trestles and trail mitigation measures along the 1,750-kilometre route in BC.
- SkyTrain Millennium Line – interim financial contribution to ensure the new facility can be operational as the various construction phases are completed in the extension of the SkyTrain route in the Lower Mainland.

(\$ 000s)	2002	2001
Air Transport Assistance Program	1,256	827
Cycling Network Program	2,056	1,655
Infrastructure Works Program	1,763	533
Newly Incorporated Territory Program	2,586	3,904
HOV/Transit Priority Program	372	460
Regional Road Network Program	-	3,765
Trans Canada Trail Initiative	1,100	291
SkyTrain Millennium Line	8,160	-
	17,293	11,435

13. Sierra Yoyo Desan Road:

In 1999, BCTFA entered into a five-year contract with Walter Construction (Canada) Ltd. for improvements to the Sierra Yoyo Desan Road, an industrial access road in northeastern BC primarily serving petroleum, forest and pipeline companies. Costs are recovered from an annual contribution by the Ministry of Energy and Mines and from tolls levied on industrial users. Recovered costs are included in Other Revenue.

14. Ministry of Transportation services:

In 2002, \$15.4 million (2001 - \$18.7 million) was paid to the Ministry of Transportation for general services not specifically attributable to individual capital construction projects.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2002

15. Interest expense:

(\$ 000s)	2002	2001
Interest on capital debt	132,546	131,666
Interest on bank overdraft	191	-
Interest income	(7,403)	(7,465)
	125,334	124,201
Capitalized interest	(6,756)	(17,911)
Net interest expense	118,578	106,290

16. Employee benefit plans:

The BCTFA and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. The Public Service Pension Plan is a multi-employer, defined-benefit pension plan and is available to substantially all of BCTFA employees. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits on behalf of employers and employees to whom the Act applies. The most recent actuarial valuation (March 31, 1999) has determined the Plan is in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship whereby the management, risks and benefits are shared between the employees and the employers. Employees are entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of employee future benefits for these plans is recognized as an expense in the year contributions are paid.

17. Commitments:

At the end of each year, the BCTFA has a number of general commitments outstanding for ongoing infrastructure projects. Such future expenditures are charged to the capital program of the year in which the work or service is performed. The approved capital program for 2002/03 is \$254.0 million.

18. Contingencies:

Contingent liabilities of \$25.8 million remain after deducting the estimated settlement expense currently accrued from gross claims outstanding for capital projects.

19. Comparative Figures:

Where necessary, prior year's figures have been restated to conform to the current year's presentation.