

Audited Financial Statements of

**BC TRANSPORTATION
FINANCING AUTHORITY**

Year ended March 31, 2008



Report of the Auditor General
of British Columbia

*To the Director of the
BC Transportation Financing Authority, and*

To the Shareholder of the BC Transportation Financing Authority:

I have audited the balance sheet of *BC Transportation Financing Authority* as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *BC Transportation Financing Authority* as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 16, 2008*

John Doyle, MBA, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Year ended March 31, 2008

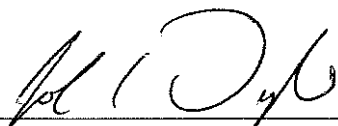
MANAGEMENT REPORT

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

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

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



John Dyble
Chief Executive Officer



Sheila Taylor
Executive Financial Officer
and Corporate Secretary

BC TRANSPORTATION FINANCING AUTHORITY

Balance Sheet

As at March 31	2008	2007
	(\$ 000s)	(\$ 000s)
Assets		
Current assets		
Cash and temporary investments (note 3)	39,509	7,372
Marketable securities (note 4)	153	174
Accounts receivable (note 5)	37,893	38,331
	<u>77,555</u>	<u>45,877</u>
Long-term receivables (note 5)	6,346	5,076
Sinking funds - to retire capital debt (note 6)	441,506	380,256
Fixed assets (note 7)	7,983,571	7,445,513
	<u>8,508,978</u>	<u>7,876,722</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	144,787	129,736
Current portion of obligation under capital lease (note 9)	808	-
Current portion of capital debt (note 6)	419,549	362,019
Interest payable	48,933	41,934
	<u>614,077</u>	<u>533,689</u>
Long-term payables and accrued liabilities (note 8)	20,453	32,943
Obligation under capital lease (note 9)	3,389	-
Deferred revenue (note 10)	67,561	68,789
Long-term portion of capital debt (note 6)	3,350,826	2,880,022
Public-private partnership obligations (note 11)	603,738	353,182
Deferred capital contributions (note 12)	2,308,993	2,394,274
	<u>6,969,037</u>	<u>6,262,899</u>
Equity		
Retained earnings	1,023,623	1,094,669
Contributed surplus (note 12)	516,318	519,154
	<u>1,539,941</u>	<u>1,613,823</u>
	<u>8,508,978</u>	<u>7,876,722</u>

Contractual obligations (note 21)

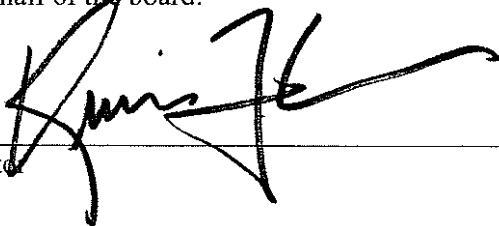
Contingencies (note 22)

Subsequent events (note 23)

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

On behalf of the board:

Director



BC TRANSPORTATION FINANCING AUTHORITY

Statement of Earnings and Other Comprehensive Income and Retained Earnings

Year ended March 31	2008	2007
	(\$ 000s)	(\$ 000s)
Revenues		
Dedicated taxes (note 13)	437,556	429,229
Amortization of deferred contributions	161,906	158,363
Interest income	25,010	27,403
Other (note 14)	41,856	29,922
	<u>666,328</u>	<u>644,917</u>
Expenditures		
Operations		
Grant programs (note 15)	134,117	44,577
Inland ferries operations (note 16)	8,734	8,000
Heartlands roads program (note 17)	32,259	29,143
Transportation planning	1,033	2,777
Public-private partnership operating expenses	19,324	9,182
First Nations settlements	1,403	9,635
Other (note 14)	9,469	8,703
General and administrative expenses (note 18)	4,058	3,989
Amortization	330,656	318,854
Interest expense (note 19)	181,305	176,474
Write down of project costs and disposal of assets (note 20)	14,995	314
	<u>737,353</u>	<u>611,648</u>
Earnings (Loss) before gain or loss on marketable securities	(71,025)	33,269
Write down of marketable securities (note 4)	<u>(21)</u>	<u>-</u>
Net earnings (loss) and other comprehensive income (loss)	(71,046)	33,269
Retained earnings, beginning of year	<u>1,094,669</u>	<u>1,061,400</u>
Retained earnings, end of year	<u>1,023,623</u>	<u>1,094,669</u>

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

BC TRANSPORTATION FINANCING AUTHORITY

Statement of Cash Flows

Year ended March 31	2008	2007
Cash provided by (used for)	(\$ 000s)	(\$ 000s)
Operations		
Net earnings	(71,046)	33,269
Amortization, which does not involve cash	330,656	318,854
Deferred capital contributions	(161,906)	(158,363)
Write down of project costs and disposal of assets	14,995	314
Change in non-cash operating working capital:		
Accounts receivable	(832)	19,310
Interest payable	6,999	2,493
	<u>118,866</u>	<u>215,877</u>
Financing		
Change in capital debt - borrowings	528,334	271,995
Change in public-private partnership obligations	250,556	256,771
Change in payables related to capital infrastructure	2,561	(18,303)
Change in obligation under capital lease	4,197	-
Contribution to sinking funds	(61,250)	8,696
Additions to deferred capital contributions	76,625	83,941
Change in contributed surplus	(2,836)	(58)
Change in deferred revenue	(1,228)	(1,229)
	<u>796,959</u>	<u>601,813</u>
Investing		
Additions to fixed assets	(883,709)	(821,409)
Write down of marketable securities	21	-
	<u>(883,688)</u>	<u>(821,409)</u>
Change in cash and temporary investments	32,137	(3,719)
Cash and temporary investments, beginning of year	<u>7,372</u>	<u>11,091</u>
Cash and temporary investments, end of year	<u>39,509</u>	<u>7,372</u>

Supplemental disclosure of cash flow information

	(\$ 000s)	(\$ 000s)
Interest paid	174,306	175,271

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

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

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

The chair of the BCTFA is the Minister of Transportation, and the CEO is the Deputy Minister of Transportation. The BCTFA has no dedicated full-time staff. Management is provided by staff at the Ministry of Transportation.

1. Significant accounting policies:

a) Basis of presentation:

As prescribed by section 33(5) of the *Transportation Act*, the financial statements of BCTFA are prepared in accordance with Canadian generally accepted accounting principles.

b) Financial instruments:

Fair value: The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value as estimated.

Amortized cost: Long-term debts and sinking funds are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Effective interest rate is the weighted average cost of capital of fixed-rate and variable-rate debts, based on the notional principle amount, net of premium, discount and deferred debt issue costs.

Marked-to-market: Temporary investments and marketable securities are marked-to-market at the balance sheet date with changes in fair value charged to earnings. The last bid price of the financial instruments on the balance sheet date (or the latest trading day if the balance sheet date falls on a public holiday) is used to value the assets.

Derivative instruments: The BCTFA debt management policy requires the maintenance of a target debt ratio for variable-rate (25% - 40%) and fixed-rate debt (75% - 60%) within the debt portfolio. When the BCTFA borrows new debt and the intended type of debt is not available, the Company will enter into interest rate swaps in order to maintain the target ratio. These swaps do not qualify for hedge accounting in accordance with CICA Accounting Guideline 13, "Hedge Relationships", and are therefore marked-to-market at the balance sheet date with changes in fair value charged to earnings.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

c) Risks:

Interest rate risk: Financial instruments include long-term receivables and long-term debt with varying terms and interest rates (notes 5 and 6). Management is aware of no circumstance that would indicate that fair values differ substantially from carrying values. Interest rate risk of temporary investments is limited due to the short-term nature of the investments held.

Currency risk: The Company uses currency swaps to manage its currency exposure. These swaps do not qualify for hedge accounting in accordance with CICA Accounting Guideline 13, "Hedge Relationships", and are therefore marked-to-market at the balance sheet date with changes in fair value charged to earnings.

Credit risk: The majority of receivables are due from government ministries or other government entities. Credit risk is limited due to the stability of these entities.

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

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

e) Fixed assets:

Land is stated at cost.

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

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

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

f) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate the assets. The costs of these assets include the costs incurred by the private sector partners, as well as owner's costs incurred by BCTFA. The private sector partners' costs are estimated at fair value, which requires the extraction of capital cost information from the financial model embedded in the Concession Agreement. These costs are being accounted for as construction progresses. Correspondingly, an equal obligation is recorded as a liability. These assets will be amortized over their useful lives and the corresponding obligations will be met as part of the performance payments.

Upon substantial completion of construction, the partners will receive payments based upon specified performance criteria. These payments will cover the partners' operating costs, financing costs and a return of their capital costs.

g) 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.

h) Revenue from dedicated taxes:

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

i) Federal and provincial taxes:

BCTFA is exempt from corporate income taxes as well as GST.

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. Actual results could differ from amounts estimated.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

k) Future accounting policies:

CICA has issued new accounting standards which may affect the financial disclosures and results of operations of the Company beginning April 1, 2008.

Section 1535 - Capital Disclosure

This section establishes standards for disclosing information about the entity's objectives, policies and processes for managing capital.

Sections 3862 and 3863- Financial Instruments - Disclosure and Presentation

These sections establish standards for disclosing financial assets, financial liabilities and non-financial derivatives to which the entity is exposed and the extent of risks arising from those instruments, and how the entity manages those risks.

The company is considering the adoption of these new accounting standards and does not anticipate significant impact on its financial statements.

2. Change in accounting policies:

Effective April 1, 2007, the Company adopted CICA section 3862, Financial Instruments - Recognition and Measurements and section 1530, Comprehensive Income.

Section 3862, Financial Instruments - Recognition and Measurements, establishes standards for recognizing and measuring financial instruments at the balance sheet date and the standards for reporting gains or losses in the financial statements. The Company has determined the following classifications for its financial assets and liabilities:

- a) Cash, accounts receivable, accounts payable, accrued liabilities, sinking funds and long-term debts are classified as held-to-maturity. Cash, accounts receivable, accounts payable and accrued liabilities are measured at fair value. Sinking funds and long-term debts (including bond discounts and premiums, and deferred debt issue costs) are measured at amortized cost.
- b) Temporary investments, marketable securities and derivative financial instruments are classified as held-for-trading and are marked-to-market as at the balance sheet date with changes in fair value charged to earnings.

Section 1530, Comprehensive Income, provides guidance in the reporting of other comprehensive income (OCI) or loss arising from changes in fair value of available-for-sale financial assets, liabilities and derivative instruments. The Company did not have any OCI transactions and any opening and closing balances for accumulated other comprehensive income or loss in 2008.

Effective April 1, 2007, deferred debt issue costs have been reclassified as long-term debt and are included in the calculation of effective interest rate. In addition, the effective interest rate method is used to calculate amortization of deferred debt issue costs, instead of using the straight line method as in prior years.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

3. 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 which are redeemable within a day's notice and earn interest at rates of 3.75% to 6.26% (2007 - 3.36% to 4.98%).

(\$ 000s)	2008	2007
Cash	1,206	1,873
Temporary investments	38,303	5,499
	39,509	7,372

As at March 31, 2008, \$3.7 million (2007 - \$2.4 million) of the cash and temporary investments is restricted under the Sierra YoYo Desan Transition Agreement between BCTFA and the Ministry of Energy and Mines.

4. Marketable securities:

As part of the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement, BCTFA holds 28,250 shares of Ballard Power Systems Inc. with a market value of \$118,932 at March 31, 2008 (2007 - \$179,952).

On April 1, 2004, BCTFA acquired 400,000 share purchase warrants in Hillsborough Resources Ltd. In January 2005, 200,000 of the share purchase warrants were redeemed for common shares and were subsequently sold on January 26, 2005. As at March 31, 2008, 200,000 share purchase warrants remain outstanding with an exercise price of \$0.54 per share. The net market value of the common shares as at the balance sheet date, if warrants were exercised, is \$34,000.

Due to market price fluctuation, the value of marketable securities was written down by \$21,088 on March 31, 2008.

5. Accounts receivable:

(\$ 000s)	2008	2007
Current portion of accounts receivable	37,893	38,331
Long-term receivables	6,346	5,076
	44,239	43,407

Current portion of accounts receivable includes receivables maturing within one year. Long-term receivables are mainly due from partners in economic development projects. Interest rates range from 0% to 6.825% (2007 - 0% to 6.825%) with terms of 3 to 13 years.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

5. Accounts receivable (continued):

(\$ 000s)	2008	2007
Accounts receivable with related parties	37,619	37,538
Ordinary trade receivables	6,620	5,869
	44,239	43,407

Of the accounts receivable with related parties, \$37.4 million are tax revenue due from the Province of British Columbia. Of the ordinary trade receivables, \$4.7 million are due from partners in economic development projects.

6. Capital debt and sinking funds:

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

(\$ 000s)	2008	2007
Current portion of capital debt	419,549	362,019
Long-term portion of capital debt	3,350,826	2,880,022
	3,770,375	3,242,041

At March 31, 2008, the coupon rates on fixed-rate debt ranged from 4.57% to 7.88% (2007 - 4.57% to 7.88%) except for \$111.7 million at 9.50% maturing 2012 and \$13.4 million at 9.50% maturing 2022 (2007 - \$128 million at 9.50%).

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

6. Capital debt and sinking funds (continued):

(\$ 000s)	2008	2007
Capital debt consists of bonds and notes payable to the Province of British Columbia:		
Fixed-rate debt:		
Various issues at an effective interest rate of 5.888% (2007 - 6.112%), maturing at various times to 2044.	2,531,319	2,277,471
Variable-rate debt:		
Various issues at an effective interest rate of 4.089% (2007 - 4.232%), maturing at various times to 2037.	1,239,056	964,570
	3,770,375	3,242,041
Sinking funds on deposit with the Province of British Columbia	(441,506)	(380,256)
Net capital debt	3,328,869	2,861,785

For the year ending March 31, 2008, BCTFA retired \$96 million of capital debt and borrowed \$610 million of new debt. Amortization of discounts, premiums and deferred debt issue costs during the year was \$14 million.

Of the \$96 million debt retired, \$23.4 million was paid out from the sinking funds. BCTFA made an investment earning of \$24.3 million and contributed \$60.4 million to sinking funds during the year.

The BCTFA debt management policy requires the maintenance of a target debt ratio for variable-rate (25% - 40%) and fixed-rate (75% - 60%) debt within the debt portfolio. When the BCTFA borrows new debt and the intended type is not available, the Company will enter into an interest rate swap in order to maintain the target ratio. As at March 31, 2008, the BCTFA has entered into 10 interest swaps with an interest rate exposure of approximately \$2.2 million per year, based on interest rate fluctuation of a quarter percentage point.

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

Pursuant to section 38(1) of the *Transportation Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Each year, BCTFA submits its borrowing limit to the Treasury Board for approval. The approved limit for 2009 is \$4.722 billion (2008 - \$4.058 billion), net of sinking funds.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

6. Capital debt and sinking funds (continued):

Sinking funds are established to retire debt. The market yield on sinking funds as at the balance sheet date ranged from 3.63% to 4.84%. Projected sinking fund contributions for each of the next five years based upon the debt portfolio at March 31, 2008 are:

	(\$ 000s)
2009	65,961
2010	64,492
2011	64,492
2012	64,492
2013	64,492

7. Fixed assets:

(\$ 000s)	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	1,187,329	-	1,187,329	1,107,737
Work in progress	1,033,437	-	1,033,437	691,786
Completed infrastructure	8,084,308	(2,347,926)	5,736,382	5,645,990
Marine transportation equipment	28,325	(1,902)	26,423	-
	10,333,399	(2,349,828)	7,983,571	7,445,513

8. Accounts payable and accrued liabilities:

(\$ 000s)	2008	2007
Current portion of accounts payable and accrued liabilities	144,787	129,736
Long-term payables and accrued liabilities	20,453	32,943
	165,240	162,679

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

8. Accounts payable and accrued liabilities (continued):

(\$ 000s)	2008	2007
Accounts payable and accrued liabilities with related parties	150,736	162,449
Ordinary trade payables	14,504	230
	165,240	162,679

Accounts payable and accrued liabilities with related parties are mainly capital project accruals due to the Province of British Columbia.

9. Obligation under capital lease:

Effective April 1, 2007, BCTFA assumed an obligation under a capital lease for the M.V. Francois Forester and commitment for the buy-out option, exercisable in December 2011.

(\$ 000s)	2008	2007
Current portion of obligation under capital lease	808	-
Long-term obligation under capital lease	3,389	-
	4,197	-

BCTFA is committed to exercise the buy-out-option in December 2011 and the capital lease payments for the next four years, before option is exercised, are:

2009	987,317
2010	947,074
2011	906,830
2012	657,486

10. Deferred revenue:

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

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

11. Public-private partnership obligations:

Project	Construction completion date	Interest rate	Contract term	Capital obligations 2008	Capital obligations 2007
		(%)	(Years)	(\$ 000s)	(\$ 000s)
Sea-to-Sky Highway	2009/10	7.52	25	371,006	222,391
William R. Bennett Bridge	2008/09	7.88	30	156,932	76,692
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2007/08	7.40	25	75,800	54,099
				603,738	353,182

Payments for the remaining capital obligation and the operating components of these public-private partnership contracts are stated in note 21 (Contractual obligations).

12. Deferred capital contributions and Contributed surplus:

(\$ 000s)	Opening balance	Additions/ (Disposals)	Amortization	Closing balance
Deferred capital contributions	2,394,274	76,625	(161,906)	2,308,993
Contributed surplus	519,154	(2,836)	-	516,318
Total contributions	2,913,428	73,789	(161,906)	2,825,311
Consisting of:				
Provincial government	2,632,248	(3,497)	(157,145)	2,471,606
Federal government	212,616	71,577	(3,106)	281,087
Municipal government	14,039	1,984	(555)	15,468
Other	54,525	3,725	(1,100)	57,150
	2,913,428	73,789	(161,906)	2,825,311

Contributed surplus represents the value of land contributed to BCTFA by the Province of British Columbia at March 31, 1999. The \$2.8 million disposal in contributed surplus was the value of land devolved to local governments and a recently incorporated community during the year.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

13. Dedicated taxes:

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

(\$ 000s)	2008	2007
Tax revenue earned:		
Motor Fuel Tax Act	425,556	417,229
Social Services Tax Act	12,000	12,000
	437,556	429,229

Of the 6.75 cents per litre motor fuel tax received, funds from 3.50 cents per litre are dedicated to expenditures under the multi-year Transportation Investment Plan (TIP).

TIP dedicated tax revenue and expenditures:

(\$ 000s)	Prior years	2008	Cumulative total
Revenue:			
3.5 cents/litre motor fuel tax	876,079	220,371	1,096,450
Provincial expenditures:			
Expansion	812,051	286,298	1,098,349
Preservation	387,263	212,797	600,060
Heartlands roads program	191,236	64,949	256,185
Grant programs	125,414	133,117	258,531
Inland ferries	32,000	8,000	40,000
Pre-concession costs	67,857	1,029	68,886
	1,615,821	706,190	2,322,011
Net balance	(739,742)	(485,819)	(1,225,561)

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

14. Other revenues and expenses:

Other revenues and expenses consist of the following:

(\$ 000s)	2008			2007		
	Revenue	Expense	Net	Revenue	Expense	Net
Property sale	32,957	(6,694)	26,263	25,423	(5,741)	19,682
Property rental or leases	3,239	(425)	2,814	3,091	(503)	2,588
Economic development projects	577	(44)	533	762	(163)	599
Miscellaneous	5,083	(2,306)	2,777	646	(2,296)	(1,650)
	41,856	(9,469)	32,387	29,922	(8,703)	21,219

15. Grant programs :

The BCTFA provided grants during the year under the following programs:

(\$ 000s)	2008	2007
Ports and airports	12,017	26,702
Canada Line Rapid Transit	118,000	17,200
Cycling Infrastructure Partnerships Program	3,100	547
Newly Incorporated Territories Program	-	128
Ministry of Environment	1,000	-
	134,117	44,577

16. Inland ferries operations:

Effective April 1, 2007, BCTFA purchased the inland ferries assets at net book value from the Ministry of Transportation for \$13.6 million, of which \$6 million is related to a vessel under a capital lease. BCTFA continues to provide approximately \$8 million a year to inland ferries for operating purposes.

BC TRANSPORTATION FINANCING AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

17. Heartlands roads program:

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

18. General and administrative expenses (Related party transactions):

In 2008, \$4.0 million (2007 - \$4.0 million) was paid to the Ministry of Transportation for general and administrative services not specifically attributable to individual capital construction projects.

The BCTFA is related through common ownership to all other 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.

19. Interest expense:

(\$ 000s)	2008	2007
Interest on capital debt and public-private partnership obligations	230,485	199,472
Interest capitalized	(49,180)	(22,998)
	<hr/>	<hr/>
	181,305	176,474

Of the \$181 million interest expense in 2008, \$8.4 million (2007 - \$7.9 million) was related to short-term commercial paper and \$217,069 (2007 - \$492,307) was the interest on the capital lease.

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

(\$ 000s)	2008	2007
Disposal of assets	21	-
Highway transfers	14,974	314
	<hr/>	<hr/>
	14,995	314

In March 2008, BCTFA disposed a barge located at the Francois Lake ferry facility with a net loss of \$21,274.

Highways that no longer serve a provincial need were transferred to local governments or recently incorporated communities with approval from the provincial government. In December 2007, \$14.3 million worth of highway infrastructure was transferred to Westside District Municipality, which is a new community incorporated in October, 2007.

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21. Contractual obligations:

BCTFA has entered into three multiple-year public-private partnership contracts for the designing, building, financing and operating of certain highway infrastructure. The information presented below shows the anticipated cash outflow for all future obligations under these contracts including the remaining construction cost, financing cost of the capital assets, rehabilitation of the infrastructure, annual operation and maintenance as well as the assumption of risks formerly underwritten by the Province. As construction proceeds, the asset values are recorded as work in progress and the corresponding liabilities are reported in BCTFA's balance sheet and disclosed in note 11 (Public-private partnership obligations). Payments to private sector concessionaires are contingent on specified performance criteria and include an estimation of inflation where applicable.

(\$ millions)	Contract Term	2009	2010	2011	2012	Future payments
Public-private partnerships:						
Sea-to-Sky Highway	2005 - 2030	184.2	75.0	50.7	51.7	837.3
William R. Bennett Bridge	2005 - 2035	40.9	17.7	17.7	17.6	335.2
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2005 - 2030	8.1	8.0	6.4	6.3	139.9
Grants:						
Canada Line Rapid Transit	2009 - 2040	-	6.0	19.6	19.6	547.4
Other commitments under the Transportation Investment Plan						
	2009 - 2018	183.2	33.9	1.0	1.2	1.8
		416.4	140.6	95.4	96.4	1,861.6

In addition, BCTFA has committed to provide an annual operating grant of approximately \$20 million to the Canada Line Rapid Transit Inc. starting December 2009.

Other than the commitments to public-private partnership projects and the grants to the Canada Line Rapid Transit Inc., BCTFA also has a number of multi-year contractual obligations for both the operating and capital components of the Transportation Investment Plan. Such future expenditures will be accounted for in the year the work or service is performed.

22. Contingencies:

Contingent liabilities of \$100.1 million (2007 - \$101.7 million) remain after deducting the estimated settlement expense currently accrued from gross claims and environmental issues outstanding for capital projects.

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23. Subsequent events:

On May 9, 2008, BCTFA redeemed the remaining 200,000 share purchase warrants in Hillsborough Resources Ltd. for common shares and the shares were subsequently sold on May 14, 2008.

24. Comparative change:

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