Financial Statements of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2009

Report of the Auditor General of British Columbia

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

I have audited the balance sheet of *BC Transportation Financing Authority* as at March 31, 2009, and the statements of income, comprehensive income, owner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of *BC Transportation Financing Authority* as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
June 24, 2009

John Doyle, MBA, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Year ended March 31, 2009

MANAGEMENT REPORT

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

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

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

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

John Sitch
Comptroller

Frank Blasetti
Vice President

BC TRANSPORTATION FINANCING AUTHORITY
Balance Sheet

As at March 31	2009	2008
	($ 000s)	($ 000s)
Assets		
Current assets		
Cash and temporary investments (note 3)	120,403	39,509
Marketable securities (note 4)	56	153
Accounts receivable (note 5)	38,660	37,893
	159,119	77,555
Long-term receivables (note 5)	3,980	6,346
Derivative instruments (note 6)	275,711	119,739
Sinking funds (note 7)	546,363	490,497
Fixed assets (note 8)	8,465,005	7,983,571
	9,450,178	8,677,708
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	129,171	144,787
Current portion of obligation under capital lease (note 10)	809	808
Current portion of capital debt (note 7)	330,522	419,549
Interest payable	49,106	48,933
	509,608	614,077
Long-term payables and accrued liabilities (note 9)	25,505	20,453
Obligation under capital lease (note 10)	2,856	3,389
Deferred revenue (note 11)	66,333	67,561
Long-term portion of capital debt (note 7)	3,973,137	3,332,902
Public-private partnership obligations (note 12)	775,533	603,738
Deferred capital contributions (note 13)	2,357,943	2,308,993
	7,710,915	6,951,113
Equity		
Retained earnings	1,195,515	1,161,341
Accumulated comprehensive income (note 14)	28,059	48,936
Contributed surplus (note 13)	515,689	516,318
	1,739,263	1,726,595
	9,450,178	8,677,708

Contractual obligations (note 23)
Contingencies (note 24)

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

On behalf of the board:

Shirley Bond
Director

BC TRANSPORTATION FINANCING AUTHORITY
Income Statement

Year ended March 31	2009	2008
	($ 000s)	($ 000s)
Revenues		
Dedicated taxes (note 15)	421,100	437,556
Amortization of deferred contributions	144,443	161,906
Interest income	26,788	25,010
Other (note 16)	9,469	41,856
	601,800	666,328
Expenditures		
Operations		
Grant programs (note 17)	31,367	134,117
Inland ferries operations (note 18)	9,554	8,734
Heartlands roads program (note 19)	27,676	32,259
Transportation planning	5,308	1,033
Public-private partnership operating expenses	18,041	19,324
First Nations settlements	(1,397)	1,403
Other (note 16)	11,678	9,469
General and administrative expenses (note 20)	4,413	4,058
Amortization	340,360	330,656
Interest expense (note 21)	211,813	181,305
Write down of project costs and disposal of assets (note 22)	4,549	14,995
	663,362	737,353
Net loss from operations	(61,562)	(71,025)
Unrealized foreign exchange and derivative gain	145,736	35,813
Net income (loss) before comprehensive income	84,174	(35,212)

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Comprehensive Income

Year ended March 31	2009	2008
	($ 000s)	($ 000s)
Net income (loss) for the year	84,174	(35,212)
Other comprehensive income (loss):		
Unrealized gain (loss) on investments recorded at market value	(20,877)	718
Comprehensive income (loss) for the year	63,297	(34,494)

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Owner's Equity

Year ended March 31	Retained earnings	Accumulated comprehensive income	Total owner's equity
	($ 000s)	($ 000s)	($ 000s)
Retained earnings			
Balance, April 1, 2007	1,094,669	-	1,094,669
Net loss for the year	(35,212)	-	(35,212)
Balance, March 31, 2008	1,059,457	-	1,059,457
Adjustment for changes in accounting policy (note 27)	101,884	48,218	150,102
Adjustment for changes in accounting policy (note 27)	-	718	718
Restated balance, March 31, 2008	1,161,341	48,936	1,210,277
Net income for the year	84,174	-	84,174
Related party transaction (note 28)	(50,000)	-	(50,000)
Unrealized loss on investments recorded at market value	-	(20,877)	(20,877)
Balance, March 31, 2009	1,195,515	28,059	1,223,574
Contributed surplus			
Balance at beginning of year	516,318	-	516,318
Current year change (note 13)	(629)	-	(629)
Balance at end of year	515,689	-	515,689
Total owner's equity, end of year	1,711,204	28,059	1,739,263

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

BC TRANSPORTATION FINANCING AUTHORITY
Statement of Cash Flows

Year ended March 31	2009	2008
	($ 000s)	($ 000s)
Operations		
Net income (loss) before comprehensive income	84,174	(35,212)
Amortization	340,360	330,656
Deferred capital contributions	(144,443)	(161,906)
Write down of project costs and disposal of assets	4,549	14,995
Change in non-cash operating working capital:		
Accounts receivable	1,599	(832)
Interest payable	173	6,999
	286,412	154,700
Financing		
Change in capital debt - borrowings	551,209	518,069
Change in public-private partnership obligations	171,795	250,556
Change in payables related to capital infrastructure	(10,564)	2,561
Change in fair value of derivative instruments	(155,972)	(25,514)
Change in obligation under capital lease	(532)	4,197
Comprehensive income	(20,877)	718
Contribution to sinking funds	(55,866)	(62,023)
Additions to deferred capital contributions	193,392	76,625
Change in contributed surplus	(629)	(2,836)
Change in deferred revenue	(1,228)	(1,228)
	670,728	761,125
Investing		
Additions to fixed assets	(876,343)	(883,709)
Write down of marketable securities	97	21
	(876,246)	(883,688)
Change in cash and temporary investments	80,894	32,137
Cash and temporary investments, beginning of year	39,509	7,372
Cash and temporary investments, end of year	120,403	39,509

Supplemental disclosure of cash flow information

	($ 000s)	($ 000s)
Interest paid	211,640	174,306

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

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

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

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

1. Significant accounting policies:

a) Basis of presentation:

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

b) Financial instruments:

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

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

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

The Company classified its financial assets and liabilities as follows:

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

1. Significant accounting policies (continued):

b) Financial instruments (continued):

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

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

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

The Company makes periodic payments into sinking funds which are used to retire related long-term debts at maturity. All sinking funds are classified as available-for-sale and are recorded at market value at the balance sheet date with changes in unrealized gain/loss charged to other comprehensive income.

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

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

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

1. Significant accounting policies (continued):

d) Fixed assets:

Land is stated at cost.

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

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

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

e) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate the assets. The costs of these assets include the costs incurred by the private sector partners, as well as owner's costs incurred by the 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 life and the corresponding obligations will be amortized on the same basis.

1. Significant accounting policies (continued):

f) Deferred capital contributions:

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

g) Revenue from dedicated taxes:

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

h) Federal and provincial taxes:

BCTFA is exempt from corporate income taxes and goods and services tax/harmonized sales tax (GST).

i) Use of estimates:

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

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

j) Foreign currency translation:

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

1. Significant accounting policies (continued):

k) Future accounting policies:

CICA has issued a new accounting standard which may affect the financial disclosures and results of operations of the Company beginning April 1, 2009.

Sections 3064 - Goodwill and Intangible Assets

This Section replaces Handbook Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for recognition, measurement, presentation and disclosure of intangible assets.

The company will be adopting this new accounting standard and does not anticipate significant impact on its financial statements.

l) International Financial Reporting Standards:

In 2006, Canada's Accounting Standards Board ratified a strategic plan that would result in Canadian generally accepted accounting principles, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board over a transitional period to be completed by 2011. This raised the question as to whether government entities were considered publicly accountable enterprises and whether they should adopt IFRS or a separate set of accounting standards.

Based on comments received in 2007 by the Public Sector Accounting Board (PSAB), the body governing accounting standards for government entities, PSAB concluded that certain government entities would follow IFRS. Subsequent to that decision, certain stakeholders expressed concerns about this change and requested PSAB to re-evaluate this decision. PSAB decided to re-examine their conclusions and on February 24, 2009, PSAB released an Invitation to Comment on Financial Reporting by Government Organizations. The comment period closed on April 17, 2009 and final approval is anticipated in September 2009.

The Invitation to Comment provides various alternatives with respect to the future accounting framework for government organizations other than a government not-for-profit. Based on the definitions of government organizations and the alternatives available, the Invitation to Comment would allow management to self-select between the Public Sector Accounting Handbook and IFRS.

Once the Invitation to Comment is complete and upon final approvals from PSAB, management will be able to complete its evaluation process. Accordingly, BCTFA is not be able to determine the potential impact of this changeover at this date.

2. Change in accounting policies:

Effective April 1, 2008, the Company adopted a number of new CICA accounting standards: a) Section 1400, General Standards of Financial Statement Presentation; b) Section 1535, Capital Disclosures; and c) Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. The main requirements of these new standards and the resulting financial statement impacts are described below.

a) General standards of financial statement presentation:

Section 1400 requires that management makes assessment of the entity's ability to continue as a going concern when preparing financial statements. One of the Company's objectives in managing capital is to safeguard the Company's ability to continue as a going concern. The Company monitors its capital structure and financial position regularly to ensure the objective is met and therefore, the adoption of this Section did not have any impact on the Company's financial statements.

b) Capital disclosures:

Section 1535 establishes standards for qualitative and quantitative information about an entity's capital and how it is managed to enable users to evaluate the objectives, policies and processes for managing capital. Details of the Company's capital management objectives can be found in note 25.

2. Change in accounting policies (continued):

c) Financial instruments – disclosures and Financial instruments – presentation:

Section 3862 and Section 3863 replace Handbook Section 3861, Financial Instruments – Disclosures and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from derivative instruments and how an entity manages those risks. The Company's disclosure as a result of adopting these Sections are presented in note 6.

On January 20, 2009 the Emerging Issues Committee (EIC) of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of the Abstract.

The Company adopted EIC-173 in the current fiscal year and has taken into consideration its own credit risk and the credit risk of the counterparty when determining the fair value of its financial assets, financial liabilities and derivative instruments. The disclosure as a result of adopting EIC-173 is detailed in note 26.

3. Cash and temporary investments:

Cash and temporary investments consist of deposits with banks and investments in money market instruments which are redeemable within a day's notice and earn interest at rates of 0.60% to 2.85% (2008 - 3.75% to 6.26%).

($ 000s)	2009	2008
Cash	1,576	1,206
Temporary investments	118,827	38,303
	120,403	39,509

The temporary investments consist of funds that are for the purposes of:

- $2.3 million (2008 - $3.7 million) is funding received for the Sierra YoYo Desan Transition Agreement between BCTFA and the Ministry of Energy, Mines and Petroleum Resources.
- $61.6 million (2008 - nil) is federal funding received from the Public Transit Capital Trust 2008 for the purpose of constructing the Evergreen Line Rapid Transit System.
- $21.7 million (2008 - nil) is federal funding received from the Canada-British Columbia Provincial-Territorial Base Funding Agreement for the purpose of building high-quality, modern public infrastructure that contributes to economic growth, a clean environment and strong communities.

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 $55,653 at March 31, 2009 (2008 - $118,932).

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. In May 2008 the remaining 200,000 share purchase warrants were redeemed for common shares and were subsequently sold on May 21, 2008. As at March 31, 2009, there were no remaining share purchase warrants outstanding.

Due to market price fluctuation, the value of marketable securities was written down by $63,280 on March 31, 2009.

5. Accounts receivable:

($ 000s)	2009	2008
Current accounts receivable	38,660	37,893
Long-term receivables	3,980	6,346
	42,640	44,239

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 6.325% (2008 - 0% to 6.825%) with terms of 3 to 12 years.

($ 000s)	2009	2008
Accounts receivable with related parties	37,566	37,619
Ordinary trade receivables	5,074	6,620
	42,640	44,239

The accounts receivable with related parties consists of $31.1 million (2008 - $37.4 million) in tax revenue due from the Province of British Columbia and $6.4 million (2008 - nil) for the transfer of assets is due from the Transportation Investment Corporation. The ordinary trade receivables , $4.1 million (2008 - $4.7 million) is due from partners in economic development projects.

6. Derivative instruments:

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

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

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

The following table shows the notional amount and value of the Company's derivative contracts outstanding at March 31, 2009. The notional amount is the amount used to calculate interest payment of the swaps. There is no exchange of the notional amount in interest rate swaps. For cross-currency swaps, the notional amount is exchanged at the beginning and at the end of the contracts.

Type of swap ($ 000s)	Notional amount	Value gain/(loss) 2009	Value gain/(loss) 2008
Cross-currency swap	103,000	(6,219)	(17,646)
Interest rate swap	982,490	281,930	137,385
Total	1,085,490	275,711	119,739

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

7. Capital debt and sinking funds:

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

($ 000s)	2009	2008
Current portion of capital debt	330,522	419,549
Long-term portion of capital debt	3,973,137	3,332,902
	4,303,659	3,752,451
Sinking funds	(546,363)	(490,497)
Net capital debt	3,757,296	3,261,954

All of the Company's debt is in Canadian currency except for the following:

BCEFF-2	27.8 million Euro
BCEMTN-22	38.8 million USD

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

($ 000s)	Capital debt	Interest payments
2010	327,007	184,460
2011	100,000	179,668
2012	299,969	172,851
2013	-	157,827
2014	60,024	156,355

Interest payments for variable-rate debt are calculated based on the effective rate at March 31, 2009 and may vary over time.

7. Capital debt and sinking funds (continued):

Debt reference	Outstanding amount ($ 000s)	Interest rate	Fixed / Variable	Maturity date	Sinking fund
Commercial paper	284,006	Various	Fixed	Various	No
BCEFF-2	46,515	6.377%	Fixed	15-Jul-2009	Yes
BCCMTN-85(2)	107,803	Various	Variable	09-Jan-2012	Yes
BCCD-W (1)	94,833	Various	Variable	19-Nov-2027	Yes
BCCD-Z (2)	204,275	Various	Variable	18-Jun-2031	Yes
BCCP-109	21,297	Various	Variable	09-Aug-2035	Yes
BCCMTN-70	166,105	Various	Variable	17-Aug-2028	Yes
BCCMTN-83	100,030	Various	Variable	18-Jun-2029	Yes
BCCD-11 (2)	102,434	Various	Variable	18-Jun-2037	Yes
BCCMTN-78	99,517	Various	Variable	23-Feb-2024	Yes
BCCP-81	59,017	6.30%	Fixed	10-May-2022	Yes
BCCP-82	51,958	6.27%	Fixed	10-Jun-2022	Yes
BCCD-L	13,285	9.50%	Fixed	09-Jun-2022	Yes
BCCDAB-1	101,007	5.75%	Fixed	09-Jan-2012	Yes
BCCMTN-62	59,344	7.875%	Fixed	23-Aug-2024	Yes
BCCD-W	78,029	6.15%	Fixed	19-Nov-2027	Yes
BCCD-X	275,453	5.70%	Fixed	18-Jun-2029	Yes
BCCMTN-69	99,355	5.75%	Fixed	09-Oct-2013	Yes
BCCMTN-22	48,896	5.813%	Fixed	28-Oct-2013	Yes
BCCMTN-73	62,754	6.00%	Fixed	09-Jan-2039	Yes
BCCMTN-85	108,861	9.50%	Fixed	09-Jan-2012	Yes
BCCMTN-84	120,442	6.30%	Fixed	23-Aug-2039	Yes
BCCD-AA	99,837	6.375%	Fixed	23-Aug-2010	Yes
BCCD-Z	220,132	6.35%	Fixed	18-Jun-2031	Yes
BCCP-66	14,330	6.46%	Fixed	10-Jul-2020	Yes
BCCP-84	22,022	6.05%	Fixed	12-Aug-2022	Yes
BCCP-85	24,548	5.74%	Fixed	10-Sep-2022	Yes
BCCP-86	26,359	5.80%	Fixed	08-Oct-2022	Yes
BCCP-87	32,306	6.02%	Fixed	12-Nov-2022	Yes
BCCD-1	147,158	5.25%	Fixed	18-Jun-2043	Yes
BCCD-8	48,395	5.30%	Fixed	23-Aug-2019	Yes
BCCD-10	100,138	5.75%	Fixed	24-Aug-2044	Yes
BCCP-106	36,831	5.69%	Fixed	08-Jun-2024	Yes
BCCP-107	44,502	4.57%	Fixed	11-Jul-2025	Yes
BCCD-11	148,218	4.70%	Fixed	18-Jun-2037	Yes
BCCD-11 (1)	153,654	4.70%	Fixed	18-Jun-2037	Yes
BCCD-16	198,292	4.70%	Fixed	01-Dec-2017	Yes
BCCD-11 (3)	248,563	4.70%	Fixed	18-Jun-2037	Yes
BCCD-12	102,299	4.80%	Fixed	15-Jun-2021	Yes
BCCD-15	74,651	4.90%	Fixed	18-Jun-2048	Yes
BCCD-20	19,745	4.60%	Fixed	18-Jun-2049	Yes
BCCD-22	156,035	4.95%	Fixed	18-Jun-2040	Yes
BCCD-21	80,428	4.65%	Fixed	18-Dec-2018	Yes
Total	4,303,659				

7. Capital debt and sinking funds (continued):

For the year ending March 31, 2009, BCTFA retired $80 million of capital debt and acquired $624 million of new debt. Amortization of discounts, premiums and deferred debt issue costs during the year resulted in a reduction in net debt of $3 million.

During the fiscal year, one long-term debt in the amount of $80 million was retired. Upon maturity of this debt the related sinking fund, in the amount of $14.8 million, was paid out.

The Company contributed $66.0 million to sinking funds and recognized $25.5 million in interest during the fiscal year.

Sinking funds are established to retire debt and were previously classified as held-to-maturity. Beginning this fiscal, the Company changed its classification from held-to-maturity to available-for-sale. The Company may redeem its sinking funds before maturity for sound business purposes based on market conditions. The financial impact of the reclassification, including prior year adjustments, was charged to comprehensive income and is detailed in note 27.

The market yield on the Company's sinking fund portfolio for the year is approximately 5.18%. Projected sinking fund contributions for each of the next five years based upon the debt portfolio at March 31, 2009 are:

	($ 000s)
2010	78,860
2011	78,860
2012	78,860
2013	78,860
2014	75,170

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

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

8. Fixed assets:

($ 000s)	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	1,273,871	-	1,273,871	1,187,329
Work in progress	978,670	-	978,670	1,033,437
Completed infrastructure	8,872,227	(2,684,758)	6,187,469	5,736,382
Marine transportation equipment	28,607	(3,612)	24,995	26,423
	11,153,375	(2,688,370)	8,465,005	7,983,571

9. Accounts payable and accrued liabilities:

($ 000s)	2009	2008
Current portion of accounts payable and accrued liabilities	129,171	144,787
Long-term payables and accrued liabilities	25,505	20,453
	154,676	165,240

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

($ 000s)	2009	2008
Accounts payable and accrued liabilities with related parties	138,023	150,736
Ordinary trade payables	16,653	14,504
	154,676	165,240

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

10. Obligation under capital lease:

Effective April 1, 2007, the BCTFA assumed an obligation under a capital lease for the M.V. Francois Forester.

($ 000s)	2009	2008
Current portion of obligation under capital lease	809	808
Long-term obligation under capital lease	2,856	3,389
	3,665	4,197

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

2010	$ 963,842
2011	$ 923,599
2012	$ 666,290

11. 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.

12. Public-private partnership obligations:

Project	Construction completion date	Interest rate (%)	Contract term (Years)	Capital obligations 2009 ($ 000s)	Capital obligations 2008 ($ 000s)
Sea-to-Sky Highway	2009/10	7.52	25	524,028	371,006
William R. Bennett Bridge	2008/09	7.88	30	177,067	156,932
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2007/08	7.40	25	74,438	75,800
				775,533	603,738

Payments for the remaining capital obligation and the operating components of these public-private partnership contracts are stated in note 23.

13. Deferred capital contributions and contributed surplus:

($ 000s)	Opening balance	Additions/ (Disposals)	Amortization	Closing balance
Deferred capital contributions	2,308,993	193,393	(144,443)	2,357,943
Contributed surplus	516,318	(629)	-	515,689
Total contributions	2,825,311	192,764	(144,443)	2,873,632
Consisting of:				
Provincial government	2,471,606	(629)	(138,063)	2,332,914
Federal government	281,087	177,594	(4,703)	453,978
Municipal government	15,468	-	(577)	14,891
Other	57,150	15,799	(1,100)	71,849
	2,825,311	192,764	(144,443)	2,873,632

Contributed surplus represents the value of land contributed to BCTFA by the Province of British Columbia at March 31, 1999. The $0.6 million disposal in contributed surplus was the value of land devolved to local governments.

14. Accumulated comprehensive income:

Accumulated comprehensive income includes all changes in the equity of the Company that were not recognized in the income statement of the period.

($ 000s)	2009	2008	Prior years
Beginning balance	48,936	48,218	-
Unrealized loss on marketable securities recorded at market value	(63)	(56)	-
Unrealized gain/(loss) on sinking funds recorded at market value	(20,814)	774	48,218
Ending balance	28,059	48,936	48,218

15. 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)	2009	2008
Tax revenue earned:		
Motor Fuel Tax Act	407,100	425,556
Social Services Tax Act	14,000	12,000
	421,100	437,556

$3.5 cents of the 6.75 cents per litre motor fuel tax received is dedicated to expenditures under the multi-year Transportation Investment Plan (TIP).

15. Dedicated taxes (continued):

TIP dedicated tax revenue and expenditures:

($ 000s)	Prior years	2009	Cumulative total
Revenue:			
3.5 cents/litre motor fuel tax	1,096,450	211,089	1,307,539
Provincial expenditures:			
Expansion	1,098,349	316,412	1,414,761
Preservation	600,060	230,762	830,822
Heartlands roads program	256,185	56,530	312,715
Grant programs	258,531	18,116	276,647
Inland ferries	40,000	8,000	48,000
Pre-concession costs	68,886	5,268	74,154
	2,322,011	635,088	2,957,099
Net balance	(1,225,561)	(423,999)	(1,649,560)

16. Other revenues and expenses:

Other revenues and expenses consist of the following:

($ 000s)	2009			2008		
	Revenue	Expense	Net	Revenue	Expense	Net
Property sale	4,431	(5,168)	(737)	32,957	(6,694)	26,263
Property rental or leases	3,076	(573)	2,503	3,239	(425)	2,814
Economic development projects	461	(162)	299	577	(44)	533
Miscellaneous	1,501	(5,775)	(4,274)	5,083	(2,306)	2,777
	9,469	(11,678)	(2,209)	41,856	(9,469)	32,387

17. Grant programs:

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

($ 000s)	2009	2008
Ports and airports	12,558	12,017
Canada Line Rapid Transit Inc.	13,050	118,000
Cycling infrastructure partnerships program	946	3,100
City of Kelowna	1,091	-
Amtrak	2,791	-
Climate action initiatives	730	-
Ministry of Environment	201	1,000
	31,367	134,117

18. Inland ferries operations:

Effective April 1, 2007, BCTFA purchased the inland ferries assets at net book value from the Ministry of Transportation and Infrastructure for $13.6 million, of which $6 million is related to a vessel under a capital lease. BCTFA continues to provide approximately $9 million a year to inland ferries for operating purposes.

19. Heartlands roads program:

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

20. General and administrative expenses:

In 2009, $4.4 million (2008 - $4.0 million) was paid to the Ministry of Transportation and Infrastructure 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.

21. Interest expense:

($ 000s)	2009	2008
Interest on capital debt and public-private partnership obligations	250,647	230,485
Interest capitalized	(38,834)	(49,180)
	211,813	181,305

Of the $212 million interest expense in 2009, $4.0 million (2008 - $8.4 million) was related to short-term commercial papers and $29.1 million (2008 - $3.3 million) is the public-private partnership financing costs.

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

($ 000s)	2009	2008
Disposal of assets	-	21
Write-off of projects	1,603	-
Highway transfers	2,946	14,974
	4,549	14,995

Highways that no longer serve a provincial need were transferred to local governments or recently incorporated communities with approval from the provincial government.

23. 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 12. Payments to private sector concessionaires are contingent on specified performance criteria and include an estimation of inflation where applicable.

23. Contractual obligations (continued):

($ millions)	Contract end date	2010	2011	2012	2013	Future payments
Public-private partnerships:						
Sea-to-Sky Highway	2030	75.7	50.7	51.7	51.4	785.9
William R. Bennett Bridge	2035	23.4	17.7	17.6	17.5	323.3
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	2030	8.0	6.4	6.3	6.2	133.7
Grants:						
Canada Line Rapid Transit	2040	11.2	19.3	19.3	19.3	520.3
Other commitments under the Provincial Transit Plan	2013	17.7	15.2	7.2	1.9	-
Other commitments under the Transportation Investment Plan	2013	587.9	213.3	180.2	114.3	-
		723.9	322.6	282.3	210.6	1,763.2

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

24. Contingencies:

Contingent liabilities of $115.0 million (2008 - $100.1 million) remain after deducting the estimated settlement expense currently accrued from gross claims and environmental issues outstanding for capital projects.

25. Capital Management:

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

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

Pursuant to section 38(1) of the Transportation Act, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Every year, BCTFA submits its 3-year borrowing requirement to the Treasury Board for approval. The approved limit for 2010 is $5.377 billion (2009 - $4.722 billion), net of sinking funds. The Minister of Finance is the fiscal agent of BCTFA.

The Company manages its capital through regular monitoring of the transportation improvement plans and reviewing of monthly financial results to develop a short-term and long-term cash flow forecast. The capital required to deliver the Company's commitments must stay within the borrowing targets approved by the Treasury Board.

The BCTFA debt management policy requires the maintenance of a target debt ratio. In order to meet the requirement, BCTFA monitors its debt structure closely and makes necessary adjustments, including the use of financial derivative instruments.

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

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

When the construction of the public-private partnership projects proceed, the Company records the asset values as work-in-progress and the corresponding liabilities as public-private partnership obligations. The obligations will be repaid through monthly performance payments to concessionaires when the construction of the related highway infrastructure is complete and the asset is in operation. The outstanding balance of the Company's public-private partnership obligations is presented in note 12.

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

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

26. Risk management:

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

a) Interest rate risk:

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

Based on the BCTFA's mandated target debt ratio, the Company's interest rate exposure is limited to a maximum of 40% of its debt portfolio. Assuming that the amount and mix of fixed-rate (73%) and variable-rate (27%) debt outstanding at March 31, 2009 remains unchanged, a quarter percentage change in interest rate could have a risk exposure of $2.2 million to the Company's income and cash flow.

The Company regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendation, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

The Company's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency.

BCTFA's risk management policy is to eliminate foreign exchange risk. When Canadian dollar denominated debt is not available or is not in the best interest of the entity, the Company will borrow funds in other currencies. The Company will then immediately enter into cross-currency swaps to offset the currency risk.

As at the balance sheet date, the Company has two foreign currency denominated debt outstanding and are fully offset by two derivative instruments.

c) Credit risk:

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

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

26. Risk management (continued):

d) Liquidity risk:

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

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

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

27. Adjustment for changes in accounting policies:

The Company's decision to adopt new accounting policies in the current fiscal year requires prior period adjustments for comparative purposes. Total owner's equity for fiscal 2008 has been restated to account for retroactive adjustments to retained earnings and accumulative comprehensive income.

($ 000s)	
Total owner's equity on March 31, 2008 before adjustments	1,059,457
Adjustments:	
Unrealized foreign exchange and derivative gain	101,884
Unrealized gain on investments recorded at market value	48,936
	150,820
Restated total owner's equity on March 31, 2008	1,210,277

28. Related party transactions:

The BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. On a daily basis, the Ministry of Transportation and Infrastructure processes and pays operating and capital invoices that belong to the BCTFA. On a monthly basis the Ministry invoices BCTFA for the total amount owed to the Ministry. In 2009 – $876.3 million (2008 – $883.7 million) was reimbursed to the Ministry of Transportation and Infrastructure for capital purchases paid on behalf of BCTFA. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

On March 31, 2009, the balance sheet of the BCTFA included the following transaction with related parties that was not in the normal course of operations: The BCTFA entered into an agreement with the Transportation Investment Corporation (TI Corp) to transfer over assets acquired by the Company in anticipation of building the new Port Mann Bridge. The total value of this agreement is $76.4 million. As directed by the Province, BCTFA received $20.0 million in cash, recorded an accounts receivable of $6.4 million and the remaining $50.0 million was charged to equity.

29. Comparative change:

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