Report of the Auditor General
of British Columbia

To the Board of Directors of
Transportation Investment Corporation, and

To the Minister of Transportation and Infrastructure
Province of British Columbia:

I have audited the statement of financial position of *Transportation Investment Corporation* as at March 31, 2010, and the statements of operations, shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the corporation'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 *Transportation Investment Corporation* as at March 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 26, 2010

John Doyle, MBA, CA
Auditor General

May 26, 2010

Statement of Management Responsibility

Year ended March 31, 2010

The financial statements of Transportation Investment Corporation 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 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 Transportation Investment Corporation.

Yours truly,

F. Blasetti

Frank Blasetti
President & Chief Financial Officer

Kenneth Tan

Kenneth Tan
Chief Financial Officer

Transportation Investment Corporation
Statement of Financial Position
As at March 31

($ 000s)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	$ 4,573	$ 51,143
Accounts receivable	13	-
Foreign currency derivative	-	169
	4,586	51,312
LONG-TERM ASSETS		
Property, plant and equipment (note 5)		
Assets under construction	941,841	202,879
Office equipment	384	-
	942,225	202,879
Intangible assets (note 6)	44,807	12,409
Restricted cash (note 7)	10,500	-
Land (note 8)	5,699	-
	1,003,231	215,288
	$ 1,007,817	$ 266,600
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	$ 330,454	$ 104,209
Short-term debt (note 10)	112,980	20,149
	443,434	124,358
LONG-TERM LIABILITIES		
Long-term debt (note 11)	426,579	-
Financial instrument derivative (note 12)	26,365	-
	452,944	-
SHAREHOLDER'S EQUITY		
Share capital and contributed surplus (note 13)	150,000	150,000
Retained earnings/(deficit) - end of the year	(12,223)	(7,758)
Accumulated other comprehensive income (note 14)	(26,338)	-
	111,439	142,242
	$ 1,007,817	$ 266,600

Contractual obligations (note 17)

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

Approved on behalf of the board

Peter Milburn, Board Chair

John Dyble, Director

Transportation Investment Corporation
Statement of Shareholder's Equity
As at March 31

($ 000s)

	2010	2009
SHARED CAPITAL & CONTRIBUTED SURPLUS		
Beginning of the year	$ 150,000	$ -
Province of British Columbia	-	100,000
Asset transfer from BCTFA	-	50,000
End of the year	150,000	150,000
RETAINED EARNINGS/(DEFICIT)		
Beginning of the year	(7,758)	-
Loss for the year	(4,465)	(7,758)
End of the year	(12,223)	(7,758)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Beginning of the year	-	-
Other comprehensive loss for the year	(26,338)	-
End of the year	(26,338)	-
Total Shareholder's Equity	$ 111,439	$ 142,242

Transportation Investment Corporation
Statement of Operations

($ 000s)	For the year ended March 31, 2010	For the period from June 25, 2008 to March 31, 2009
REVENUES		
Net foreign exchange gain/(loss)	$ 213	$ 21
Sundry	6	-
	219	21
EXPENSES		
Operating expense	2,944	-
Corporate salaries	894	-
Administration	761	1,779
Amortization	58	-
Hedging loss	27	-
Contract termination fee	-	6,000
	4,684	7,779
Net Loss from Operations	$ (4,465)	$ (7,758)
Other comprehensive income/(loss)		
Effective hedging loss	(26,338)	-
Comprehensive Loss for the Year	$ (30,803)	$ (7,758)

Transportation Investment Corporation

Statement of Cash Flows

($ 000s)	For the year ended March 31, 2010	For the period from June 25, 2008 to March 31, 2009
Cash provided by (used for)		
Operations		
Comprehensive loss for the year	$ (30,803)	$ (7,758)
Item not affecting cash:		
Amortization	58	-
Hedge ineffectiveness	27	-
Effective hedging loss	26,338	-
Changes in operating working capital:		
(Increase)/decrease in accounts receivable	(13)	-
Increase/(decrease) in accounts payable	226,245	104,209
Increase/(decrease) in financial instrument	169	(21)
	222,021	96,430
Financing		
Capital contribution	-	150,000
Proceeds from debt	519,410	20,001
	519,410	170,001
Investing		
(Increase) in intangible assets	(32,399)	(12,409)
(Increase) in property, plant and equipment	(745,102)	(202,879)
	(777,501)	(215,288)
Change in cash, current period	(36,070)	51,143
Cash, beginning of period	51,143	-
Cash, end of period	$ 15,073	$ 51,143
Cash consists of:		
Restricted cash	$ 10,500	$ -
Cash in bank	4,572	51,143
Petty cash	1	-
	$ 15,073	$ 51,143

1) PURPOSE

The Transportation Investment Corporation (TI Corp) is a Crown corporation wholly owned by the Province of British Columbia. TI Corp was established on June 25, 2008 under the *Transportation Investment Act (SBC 2002)*. The corporation is currently undertaking the design and build of the Port Mann/Highway 1 Project (Project) and may also engage in or conduct business authorized by the Lieutenant Governor in Council.

On March 10, 2010, the Port Mann Highway 1 Bridge Concession Agreement, which outlines the terms and conditions of the Project was signed by authorized representatives of TI Corp, the BC Transportation Financing Authority (BCTFA) and the Ministry of Transportation and Infrastructure.

The President and Chief Executive Officer of TI Corp is an Assistant Deputy Minister of the Ministry of Transportation and Infrastructure.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation
The financial statements of TI Corp are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a going concern basis.

b) Use of estimates
The preparation of financial statements 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, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to property, plant and equipment, the effectiveness of hedged instruments, and accounts payable and accrued liabilities. Although actual amounts may differ from these estimates, when necessary, management enters into contracts with subject matter experts to obtain fair presentation of these balances.

c) Federal and Provincial taxes
TI Corp is exempt from corporate income taxes. The corporation is currently exempt from the Goods and Services Tax as well as the Harmonized Sales Tax.

d) Intangible assets
Intangible assets are recorded at cost and are amortized over their expected useful lives calculated at straight line basis. The estimated life for land rights is estimated to be the effective term of the land rights agreement of 78 years.

e) Foreign exchange
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the end of the accounting period. Changes in the Canadian dollar equivalent of these monetary assets and liabilities due to changes in the exchange rate are recognized as foreign currency gains and losses in net income from operations.

f) Financial instruments

Canadian GAAP requires that all financial instrument assets be classified as held-for-trading, available-for-sale, and held-to-maturity or as loans and receivables. In addition, derivative instruments that are not accounted for as hedging instruments must be classified as held-for-trading. Financial instrument liabilities can be classified as held-for-trading or as other liabilities. All financial instruments are measured at fair value on initial recognition, and subsequent measurement and recognition of changes in fair value are dependent on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities.

The corporation has classified and measured its financial instruments as follows:

Financial Instrument	Category	Measurement	Recognition of Gain or Loss
Cash and cash equivalents	Held for trading	Fair value	Income from operations
Accounts receivable	Loans and receivables	Fair value	Income from operations
Derivatives other than hedged instruments	Held for trading	Fair value	Income from operations
Effective hedged items	Available for sale	Fair value	Other comprehensive income
Ineffective portion of hedged items	Held for trading	Fair value	Income from operations
Accounts payable and accrued liabilities	Other financial liabilities	Fair value	Income from operations
Short-term debt	Other financial liabilities	Fair value	Income from operations
Long-term debt	Other financial liabilities	Amortized cost using the effective interest rate method	Income from operations

At the start of fiscal year 2009/10, the measurement basis for accounts payable and accrued liabilities as well as short-term debt was changed from amortized cost to fair value. As the prior year's stated numbers approximated fair value, no restatement adjustments are required.

g) Property, plant and equipment

Borrowing costs that are directly attributable to the acquisition, construction or production of capital assets under construction are capitalized using the actual borrowing costs net of any temporary investment income. Capitalization of borrowing costs ceases when the specific asset is available for use.

Amortization of capital asset costs less estimated residual value is calculated at straight line rates to depreciate the assets over their estimated useful lives. Amortization commences at the end of the first quarter after management has determined the asset is available for use. Amortization ceases on the earlier of the date the asset is classified as held-for-sale or the date the asset is derecognized.

Assets under construction consist of highway infrastructure under development composed of such things as bridges, roadbed, over passes, underpasses, retaining walls and drainage systems.

Amortization rates have been determined as follows:

Capital Asset	Initial Measurement	Estimated Useful Lives
Assets under construction	Cost	Amortized when available for use
Office equipment	Cost	3 years
Land	Cost	Not amortized

h) Debt placement fees

Transaction fees incurred in the arrangement or placement of debt during the capital asset construction phase are capitalized as interest during construction. Upon completion of the capital assets, these costs will be amortized over the estimated useful life of the assets.

i) Pension and post retirement benefits

Commencing in the current year, pension benefits for employees of the corporation are provided through the BC Public Service Pension Plan. Payments for the cost of this plan are accounted for on an accrual basis.

j) Administration and overhead costs

Administration and overhead costs which are directly attributable to bringing the property, plant and equipment assets to a condition necessary for them to be capable of operating in a manner intended by management form a part of the capital cost of the assets.

3) ADOPTION OF NEW ACCOUNTING POLICIES

a) New accounting pronouncements CICA Handbook Section 3064 *Goodwill and Intangible Assets* was issued in February 2008 to replace Section 3062 *Goodwill and Other Intangible Assets* and Section 3450 *Research and Development Costs*. This section is effective for fiscal years beginning on or ending after October 1, 2008. TI Corp is fully compliant with the requirements of this new section with no impact on the financial statements.

b) In June 2009, CICA Handbook Section 3862 *Financial Instruments – Disclosures* was amended to include additional disclosure around fair value measurement of financial instruments and discussion of liquidity risk. The revised section establishes a hierarchy of fair value measurements and requires disclosures based on the stated hierarchy. The amended section is implemented on a prospective basis and is to apply to annual financial statements relating to fiscal years ending after September 30, 2009. As the section relates to disclosure only, there are no material impacts on TI Corp's financial statements.

4) FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises. IFRS will replace Canada's current Generally Accepted Accounting Principles (GAAP) for those enterprises. In October 2009, the Canadian Public Sector Accounting Board (PSAB) confirmed the existing guidance whereby Government Business Enterprises (GBE's), which TI Corp is classified as, adhere to standards for publicly accountable enterprises in the private sector. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The corporation is currently evaluating the impact of the transition to IFRS on its financial statements.

5) PROPERTY, PLANT AND EQUIPMENT

Assets under construction are not amortized until management has determined they are available for use. Capitalization of net interest costs for the year totaled $16,559,722.

($000's)	2010 Assets at Cost	2010 Accumulated Amortization	2010	2009
Assets under construction	$ 941,841	$ -	$ 941,841	$ 202,879
Office equipment	480	96	384	-
	$ 942,321	$ 96	$ 942,225	$ 202,879

6) INTANGIBLE ASSETS

TI Corp has entered into a licensing agreement with the BCTFA to occupy certain lands in order to permit the corporation to comply with its obligations under the Concession Agreement for the Project. Based on the license agreement, the term of the license commences on December 31, 2012 and concludes on March 14, 2090. The licensing agreement requires preliminary payments to be made as the properties are acquired. Amortization of these intangible assets will commence on January 1, 2013.

($000's)	2010 Assets at Cost	2010 Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land Rights	$ 44,807	$ -	$ 44,807	$ 12,409

7) RESTRICTED CASH

A restricted cash balance of $10.5 million is held as collateral for a standby letter of credit issued by the Canadian Imperial Bank of Commerce (CIBC) in favor of the Receiver General for Canada on behalf of Fisheries and Oceans Canada (the beneficiary), to ensure TI Corp's compliance with their authorizations for works or undertakings affecting fish habitat.

The standby letter of credit expires on June 29, 2010, and will be automatically renewed, unless the beneficiary provides 60 days' notice prior to the expiry date that it is no longer required. The standby letter of credit will also be automatically reduced by the amount of each drawing paid by CIBC to the beneficiary.

8) LAND

TI Corp has purchased certain lands to facilitate the construction of a Park-and-Ride facility. The eventual disposition of these properties has not been determined.

9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($000's)	2010	2009
Trade payables	$ 290,619	$ 97,857
Related party payables – BCTFA	13,094	6,352
– Ministry of Transportation and Infrastructure	20,725	-
– Minister of Finance	6,016	-
	$ 330,454	$ 104,209

All payables transactions are in the normal course of operations and are measured at the exchange amount. Related party values are negotiated between the respective entities and approximate market values.

10) SHORT-TERM DEBT

TI Corp funds its asset acquisition and operations with a blend of long-term and short-term debt. Commercial paper acquired by TI Corp typically matures within 90 days. TI Corp has been authorized to acquire up to $1 billion in short-term debt. The fair value of the commercial paper approximates its stated value. At March 31, 2010, there were 3 commercial paper instruments in place.

Commercial Paper ($000's)	Interest Rate	Maturity Date	2010	2009
Province of British Columbia	0.32 %	June 26, 2009	$ -	$ 20,149
Province of British Columbia	0.14 %	May 19, 2010	57,989	-
Province of British Columbia	0.14 %	May 19, 2010	49,991	-
Province of British Columbia	0.13 %	April 1, 2010	5,000	-
			$ 112,980	$ 20,149

11) LONG-TERM DEBT

Long-term debt consists of a series of bonds off-lent by the Province of British Columbia. With the approval of the Minister of Finance, sinking fund payments have been temporarily suspended but will commence once tolling revenue has been received. The Minister of Finance is the fiscal agent of TI Corp. There are no capital debt maturities over the next 5 years. All long-term debt was acquired during the current fiscal year.

					March 31, 2010	
Debt Series ($000's)	Maturity Date	Coupon Rate	Effective Rate	Interest Payment Dates	Fair Value	Amortized Cost
BCCD-19	June 18, 2031	5.00%	4.97%	June/December	$ 157,281	$ 152,889
BCCD-22	June 18, 2040	4.95%	4.80%	June/December	105,225	104,392
BCCD-22	June 18, 2040	4.95%	5.28%	June/December	101,016	91,110
BCCP-148	June 9, 2039	4.99%	5.05%	June/December	82,804	78,188
					$ 446,326	$ 426,579

Interest to be paid on currently held long-term debt over the next 5 years amounts to $21.1 million per year. During the construction phase of operations, interest costs will be capitalized as a part of the capital asset costs. Fair values have been determined using active market comparisons.

12) FINANCIAL INSTRUMENT DERIVATIVE

TI Corp entered into a number of hedging transactions during the year, through advanced rate setting (ARS), also known as bond forwards and forward starting swap instruments. The corporation has elected to apply hedge accounting rules in accordance with the Canadian Institute of Chartered Accountants, (CICA) Handbook Section 3865. The sole purpose in entering into derivative contracts is to mitigate interest rate risk by offsetting expected future interest rate increases. Hedge accounting rules permit the matching of hedging instrument gains or losses to the increase or decrease in future bond coupon rates. The corporation does not enter into derivative financial instruments for trading or speculative purposes and documentation to detail the risk management objectives and strategies for undertaking effectiveness testing of the hedge has been compiled.

				March 31, 2010		
Hedging Instrument ($000's)	Derivative Maturity Date	Derivative Amount	Hedged Item	Other Comprehensive (Income)/Loss	Derivative Liability	Loss(Gain) on Ineffective Portion of Derivative
ARS-1	May 19, 2010	$ 216,500	$ 268,000	$ 966	$ (966)	$ -
ARS-1 Ext	June 20, 2011	51,500	63,700	568	(568)	-
ARS-2	June 18, 2010	100,000	119,100	1,040	(1,042)	2
ARS-4	June 20, 2011	200,000	227,800	7,139	(7,154)	15
ARS-5	June 18, 2010	100,000	118,400	1,711	(1,715)	4
ARS-6	June 20, 2011	100,000	114,300	3,007	(3,013)	6
ARS-7	June 20, 2011	75,000	100,000	1,638	(1,638)	-
SWAP-1	June 18, 2013	500,000	500,000	1,406	(1,406)	-
SWAP-2	January 16, 2013	300,000	300,000	5,832	(5,832)	-
SWAP-3	June 18, 2011	100,000	100,000	1,704	(1,704)	-
SWAP-4	June 18, 2011	100,000	100,000	1,327	(1,327)	-
		$ 1,843,000	$ 2,011,300	$ 26,338	$ (26,365)	$ 27

All hedging instruments have been designated as cash flow hedges. The current year's loss of $27,000 on the ineffective portions of the hedging instruments is recorded under income from operations entitled "hedging loss". The losses on the effective portions of the hedging instruments are recorded as effective hedging losses in the Other Comprehensive Income area of the Statement of Operations. Of the total amount entered in Accumulated Other Comprehensive Income, an estimated $163,000 will be expected to be reclassified to operating income during fiscal 2010/11. During the year, no cash flow hedges have been discontinued. Hedged long-term debt to be issued in the future will mature between 2019 and 2029.

13) SHARE CAPITAL AND CONTRIBUTED SURPLUS

	2010	2009
Share capital	$ 100	$ 100
Contributed surplus	149,999,900	149,999,900
	$ 150,000,000	$ 150,000,000

Authorized capital as stated in the *Transportation Investment Act*, is one share with a par value of $100, issued to the Minister of Transportation and Infrastructure.

Contributed surplus consists of $100 million received from the Province of British Columbia and work-in-progress valued at $50 million transferred from the BCTFA in the prior year.

14) OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The comprehensive loss detailed in the Statement of Operations, consists of two components, net income from operations and other comprehensive income (OCI). OCI represents the change in shareholder's equity during the period arising from transactions and in the fair value changes of effective portions of cash flow hedging instruments. Amounts are recorded in OCI until such time as the criteria for recognition in the statement of operations have been met.

Accumulated other comprehensive income records the accumulated effect of OCI on the equity of TI Corp.

15) RELATED PARTY TRANSACTIONS

TI Corp is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations and all public sector organizations that are included in provincial government reporting entity (GRE). A portion of the corporation's suppliers are from within the GRE. Transactions with related parties are in the normal course of operations and are measured at the exchange amount, as determined through negotiations between these parties.

All debt financing required during the construction phase of the Project is obtained through the Ministry of Finance.

Category ($000's)	Related Party	2010	2009
Capital assets	BCTFA	$ -	$ 62,205
Land rights	BCTFA	31,728	12,409
Capital assets	Ministry of Transportation and Infrastructure	27,162	-
Interest	Ministry of Finance	16,560	-
Administration	Partnerships BC	8	-

16) SERVICE CONCESSION AGREEMENT

TI Corp, Ministry of Transportation and Infrastructure (Ministry) and the BCTFA entered into a Concession Agreement (CA), dated March 10, 2010, and a Concession Agreement Modification Agreement effective on May 19, 2010. The expiry date of the CA is set at March 14, 2090 and the tolling term is for the first forty years expiring on March 14, 2050.

TI Corp duties:

- Manage and finance the construction of the Project.
- Undertake the operations, maintenance and rehabilitation of the Concession Highway.
- Develop and operate a tolling system during the tolling term.
- Collect and retain toll revenue.
- Keep the concession open to the public.
- Ownership of acquired capital assets.

Province's obligations:

- Grant licenses and rights to TI Corp to permit the operation of a concession.
- Take possession of the capital assets at end of term.
- Permit the use of existing land and infrastructure.

BCTFA duties:

- Grant licenses for use and occupation of lands by TI Corp for the term of the concession agreement.

As only the new Port Mann Bridge will be tolled, the collection of tolls will commence upon completion of that structure. TI Corp is in the process of acquiring tolling system assets and planning the implementation of tolling operations.

17) CONTRACTUAL OBLIGATIONS

($ Millions)	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Kiewit/Flatiron General Partnership – New construction	$ 440	$ 422	$ 431	$ 529	$ 81	$ 1,903
Kiewit/Flatiron General Partnership – Decommission old bridge	-	-	-	-	39	39
Hatch Ltd.	1	-	-	-	-	1
HNTB Canada	2	2	1	-	-	5
Mainroad Infrastructure Maintenance LP	5	5	5	5	5	25
CS Systemes D'Information	5	8	6	-	-	19
Miscellaneous other small contracts	1	-	-	-	-	1
	$ 454	$ 437	$ 443	$ 534	$ 125	$ 1,993

18) CAPITAL MANAGEMENT

TI Corp defines capital as cash, cash equivalents, derivative contracts, and short-term and long-term debt.

Pursuant to Section 24.23(2)(c) of the *Transportation Investment Act*, with the approval of the Minister of Finance, TI Corp may borrow the sums of money considered necessary to carry out its mandate.

TI Corp's objective in managing its capital is to monitor its cash, debt and the use of derivative instruments in order to minimize its cost of capital and its exposure to credit, market, currency, interest rate and liquidity risks, and to ensure that sufficient resources are available to fund the Project and ongoing operations. To achieve this objective, management reviews its capital management approach on a continuous and ongoing basis. Cash in excess of day-to-day operational requirements is invested in interest bearing bank deposits.

19) FINANCIAL INSTRUMENT RISKS

TI Corp is exposed to certain risks through its financial instruments.

Credit Risk:
Credit risk is the risk that TI Corp will suffer a loss due to the failure of counterparty to discharge its obligation on derivative contracts. TI Corp has entered into a derivative product transactions agreement with the British Columbia Minister of Finance under which the Minister, as fiscal agent for the corporation, may enter into derivative products transactions with third parties. Government policy is that derivative transactions are entered into only with counterparties with a rating from Standard and 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 Province also establishes limits on individual counterparty credit exposures and monitors these on a regular basis.

Cash and cash equivalents do not present a credit risk as accounts receivables are minor in amount and cash is held at a major banking institution.

Liquidity Risk:
Liquidity risk is the risk that TI Corp will encounter difficulty in meeting obligations associated with its financial liabilities. The Province has guaranteed all payments under the design-build contract for the Project. In addition, the TI Corp has been given approval to spend up to $3.3 Billion on the Project, with funding provided through the Minister of Finance as TI Corp's fiscal agent. The corporation monitors its spending and debt through budgets, forecasts and effective management of its contracts.

Market Risk:
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk and other price risk.

a) Currency Risk:
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. As at March 31, 2010, TI Corp has no foreign currency debt. When this has occurred in the past, the risk has been managed by entering into foreign currency derivative contracts.

b) Interest Rate Risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. TI Corp is exposed to interest rate risk as a result of its requirement to assume short-term and long-term debt over the period of its infrastructure development. As short-term debt must be renewed on a frequent basis, interest rate increases will necessitate higher levels of interest costs. TI Corp has instituted a hedging strategy to mitigate the risk of potential higher interest rates.

c) Other Price Risk:
Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from currency or interest rate risks. Due to the nature of TI Corp's financial instruments and as the fair values of the financial instruments approximate carrying values, TI Corp's financial instruments are not subject to other price risk.

Fair Value Disclosure:
Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. As fair values are dependent on a range of inputs used in making the measurements, a fair value hierarchy has been developed to disclose the basis of measurements used.

TI Corp has used the following fair value hierarchy to classify financial instruments recorded at fair value on the corporation's Statement of Financial Position:
Level 1 – quoted prices (unadjusted in active markets for identical assets and liabilities);
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instrument	Amount ($000's)	Measurement Level
Cash and cash equivalents	$4,573	1
Accounts receivable	13	3
Effective hedged items	(26,365)	2
Ineffective portion of hedged items	27	2
Accounts payable and accrued liabilities	(330,454)	3
Short-term debt	(112,980)	1

The valuation of cash and cash equivalents, accounts receivable, accounts payable, and short-term debt approximated their fair values at year-end because of the short-term maturity periods of these instruments.

The carrying value for hedging instruments is established by reference to published market rates for underlying derivative values. As permitted by the CICA Handbook, the effectiveness assessment method utilizes linear regression tests performed using a hypothetical derivative approach for both prospective and retrospective effectiveness assessments.

20) EMPLOYEE BENEFIT PLAN

During the year, both the TI Corp and its employees commenced contributions to the Public Sector Pension Plan (the Plan), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, has over-site responsibilities for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan and basic pension benefits are defined.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation, as at March 31, 2008, indicated a surplus of $487 million for basic pension benefits. The actuary does not attribute portions of any unfunded liability or to individual employers. The employees of the TI Corp contributed $30,780 and the corporation paid $34,637 in employer contributions to the Plan in fiscal 2010.

21) MEASUREMENT UNCERTAINTY

A degree of measurement uncertainty exists over the estimation of the cost of the assets under construction. Payments on the Design-Build contract with Kiewit Flatiron General Partnership, are based on an estimate of work performed using a percentage of completion estimate at the date of billing.

An error of one percent could result in an over or under estimation of cost of approximately $24 million. Every attempt is made by management to record a realistic estimation of costs incurred.

22) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.