



Port Mann/Highway 1 Improvement Project
Transportation Investment Corporation

AUDITED FINANCIAL STATEMENTS

At March 31, 2016



May 11, 2016

Statement of Management Responsibility

Year ended March 31, 2016

The financial statements of Transportation Investment Corporation have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgments.

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 Corporation's 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,

Irene Kerr
Chief Executive Officer

Mario Piscitelli
Executive Director of Finance, CFO



INDEPENDENT AUDITOR'S REPORT

*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 accompanying financial statements of Transportation Investment Corporation, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and other comprehensive loss, statement of cash flows and statement of changes in shareholder's equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

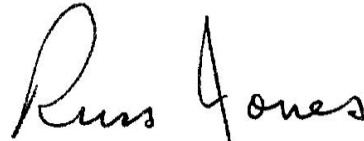
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Transportation Investment Corporation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Victoria, British Columbia
May 13, 2016



Russ Jones, FCPA, FCA
Deputy Auditor General



Transportation Investment Corporation

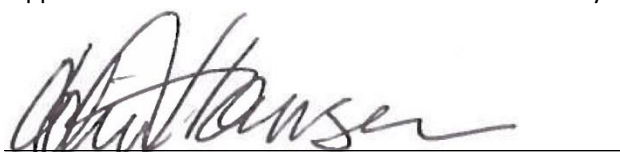
Statement of Financial Position

As at March 31

(in \$000's)

	Notes	2016	2015
ASSETS			
Current Assets			
Cash		\$ 12,471	\$ 15,585
Trade and other receivables	6	36,021	31,101
Prepays and deposits	7	279	334
		48,771	47,020
Long-Term Assets			
Property, plant and equipment, net	8	3,042,246	3,068,614
Intangible assets, net	9	123,593	122,394
Investment property, net	10	700	701
Restricted cash	11	1,500	1,500
		3,168,039	3,193,209
		\$ 3,216,810	\$ 3,240,229
LIABILITIES			
Current Liabilities			
Payables and accrued liabilities	12	\$ 51,732	\$ 47,706
Deferred revenue	13	2,582	1,577
Current indebtedness	14	694,018	991,262
Provision	16	-	4,618
		748,332	1,045,163
Long-Term Liabilities			
Long-term indebtedness	15	2,885,229	2,552,770
		3,633,561	3,597,933
SHAREHOLDER'S EQUITY			
Share capital and contributed surplus	18	150,000	150,000
Deficit		(394,164)	(311,698)
Accumulated other comprehensive loss	17	(172,587)	(196,006)
		(416,751)	(357,704)
		\$ 3,216,810	\$ 3,240,229
Subsequent events	30		

Approved on behalf of the Board of Directors on May 11, 2016



Colin Hansen, Chair



Don Fairbairn, Director

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

Transportation Investment Corporation

Statement of Operations and Other Comprehensive Loss

For the year ended March 31

(In \$000's)

	Notes	2016	2015
REVENUES			
Tolling and related revenues	20	\$ 135,285	\$ 121,222
Other revenues		1,063	751
		<hr/>	<hr/>
		136,348	121,973
DEPARTMENTAL OPERATING EXPENSES			
Tolling and customer engagement		18,806	16,095
Highway operations and maintenance		11,425	9,670
Technical services		530	2,498
Finance and corporate services		4,424	4,571
		<hr/>	<hr/>
		35,185	32,834
INCOME AFTER DEPARTMENTAL OPERATING EXPENSES		101,163	89,139
OTHER OPERATING EXPENSES			
Borrowing costs	21	132,542	130,573
Depreciation and amortization	22	50,414	43,602
Doubtful accounts		673	1,218
		<hr/>	<hr/>
		183,629	175,393
NET LOSS FROM OPERATIONS		(82,466)	(86,254)
Write down of assets	8	-	2,615
NET LOSS AND COMPREHENSIVE LOSS		<hr/>	<hr/>
		(82,466)	(88,869)
Related party transactions	19		
Wages and benefits	23		

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

Transportation Investment Corporation

Statement of Cash Flows

For the year ended March 31

(In \$000's)

	Notes	2016	2015
OPERATING			
Net loss		\$ (82,466)	\$ (88,869)
Items not affecting cash:			
Depreciation and amortization	22	50,414	43,602
Borrowing costs	21	132,542	130,573
Write down of assets	8	-	2,615
Changes in operating working capital:			
Increase in trade and other receivables		(4,920)	(9,189)
(Increase) Decrease in prepaids and deposits		55	(64)
Increase (Decrease) in payables and accrued liabilities		2,169	(4,708)
Increase in deferred revenue		1,005	600
Decrease in provision	16	(4,618)	(11,455)
		94,181	63,105
FINANCING			
Proceeds from (Repayment of) short-term debt, net of repayments		(296,311)	123,425
Proceeds from long-term debt, net of repayments		348,386	-
Interest paid on debt		(122,245)	(121,624)
		(70,170)	1,801
INVESTING			
Intangible assets additions	9	(2,872)	(4,251)
Property, plant and equipment additions	8	(21,931)	(73,878)
Rehabilitation additions	8	(441)	-
Interest capitalized during construction	21	204	664
Changes in investing working capital:			
Decrease in trade and other receivables		-	1,672
Decrease in payables and accrued liabilities		(2,085)	(3,708)
		(27,125)	(79,501)
Change in cash during the period		(3,114)	(14,595)
Cash, start of the period		17,085	31,680
Cash, end of the period		\$ 13,971	\$ 17,085
Cash consists of:			
Cash in bank		\$ 12,471	\$ 15,585
Restricted cash	11	1,500	1,500
Total cash		\$ 13,971	\$ 17,085

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

Transportation Investment Corporation
Statement of Changes in Shareholder's Equity
For the year ended March 31
(In \$000's)

	Notes	2016	2015
SHARE CAPITAL AND CONTRIBUTED SURPLUS			
Beginning of the year	18	\$ 150,000	\$ 150,000
End of the year		\$ 150,000	\$ 150,000
DEFICIT			
Beginning of the year		\$ (311,698)	\$ (222,829)
Net loss		(82,466)	(88,869)
End of the year		\$ (394,164)	\$ (311,698)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning of the year		\$ (196,006)	\$ (219,417)
Amortization on cash flow hedge reserves	17,21	23,419	23,411
End of the year		\$ (172,587)	\$ (196,006)
TOTAL SHAREHOLDER'S EQUITY		\$ (416,751)	\$ (357,704)

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

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

1. GENERAL BUSINESS DESCRIPTION

The Transportation Investment Corporation (“TI Corp” or “the Corporation”) is a Crown corporation wholly owned by the Province of British Columbia. The Corporation’s registered office is Suite 210 – 1500 Woolridge Street, Coquitlam, British Columbia.

TI Corp was established on June 25, 2008 under the *Transportation Investment Act (SBC 2002)*. The Corporation is currently undertaking the design, building and operations of the Port Mann/Highway 1 Improvement Project (“Project”), which includes tolling, and highway maintenance and rehabilitation. The Corporation 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 (“CA”), 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 BC Ministry of Transportation and Infrastructure (“Ministry”).

During Fiscal 2016, TI Corp completed the construction activities for the Port Mann Bridge and the 37 kilometers of Highway 1 corridor between 208th Street in Langley and McGill Street in Vancouver. The remaining off-corridor components of the Project, which includes Golden Ears Connector, is expected to be complete during Fiscal 2017.

The BC Ministry of Finance is the fiscal agent for the Transportation Investment Corporation.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared on a going concern basis and are in compliance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, and include International Accounting Standards (“IAS”), interpretations issued by the IFRS Interpretations Committee and the former Standing Interpretations Committee.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Basis of Measurement

The financial statements have been prepared using the historical cost basis, except for certain financial instruments, including derivatives, which are classified and measured at fair value.

b) Basis of Presentation

The functional and presentation currency of the Corporation is Canadian dollars.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

c) *Revenue Measurement and Recognition*

Revenue is measured at the fair value of the consideration received or receivable.

The primary sources of revenue for the Corporation are tolling charges for use of the Port Mann Bridge and associated account processing and maintenance fees. The recognition of revenue in the Statement of Operations and Other Comprehensive Loss occurs when all of the following conditions have been satisfied:

- i) The amount of revenue can be measured reliably;
- ii) It is probable that the economic benefits associated with the transaction will flow to the Corporation;
- iii) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- iv) The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Accordingly, tolling revenue is recognized, net of promotions and discounts, for each vehicle crossing over the Port Mann Bridge provided it satisfies the above recognition requirements. The timing of recognition is determined when reliable customer information is made available. Where customers have acquired monthly passes, revenue is initially deferred and subsequently recognized in the periods for which the benefit of the pass relates.

d) *Cash*

All cash is held with major financial institutions.

e) *Impairment of Receivables*

At the end of each reporting period, the Corporation uses objective evidence, such as an aging analysis, to determine the best estimate of any impairment associated with receivables. Impairment expenses on receivables are recorded in the Statement of Operations and Other Comprehensive Loss and adjusted in subsequent periods if the amount of the impairment changes.

f) *Property, Plant and Equipment*

Property, plant and equipment are recorded in the Statement of Financial Position, at cost net of accumulated depreciation and net of any impairment loss, provided the purchase amount is greater than \$10,000 individually or in aggregate within a group of similar items. All costs are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses.

Assets under construction consist primarily of highway infrastructure components under development including bridges, roadbeds, overpasses, underpasses, retaining walls and drainage systems. Their cost includes all costs which are directly attributable to the asset, inclusive of borrowing costs prior to the asset being available for use, net of any temporary investment income, and costs which are necessary to bring the asset into the location and condition for the operational use intended. The capitalization of costs ceases when the asset is re-categorized as available for use using the percentage of completion method.

For assets that are made available for use, depreciation charges commence when the asset is capable of operating in the manner intended by management using methods and rates determined to depreciate the cost of the property, plant and equipment over their estimated useful lives. The methods and rates are reviewed, and

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

adjusted if necessary, on an annual basis. The depreciation method and useful lives for each asset class are as follows:

Asset	Depreciation Method	Useful Lives (in years)
Highway Infrastructure	Units of Production*/Straight Line	10 to 77
Port Mann Bridge	Units of Production*	25 to 77
Tolling and Traffic Systems	Straight Line	8 to 40
Office and Leasehold Assets	Straight Line	3 to 10

* The units of production depreciation method is based on the number of vehicles that cross the bridge during the fiscal year, relative to the expected traffic over the life of the asset.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising from de-recognition, calculated as the difference between the net disposal proceeds and the carrying value of the item, is included in the Statement of Operations and Other Comprehensive Loss in the year of de-recognition.

g) *Intangible Assets*

Intangible assets are comprised of land rights and recorded at cost. Amortization commenced December 1, 2012 on a straight line basis. The life of land rights is based on the term of the CA, 77 years, which expires in 2090.

h) *Investment Property*

Investment property, which includes land and a building, is initially recorded at cost, which approximates fair value, and is subsequently recorded at depreciated cost. Depreciation for the building is calculated on a straight line basis over an expected future life of 50 years.

i) *Impairment of Non-financial Assets*

Non-financial assets such as property, plant and equipment or intangible assets are evaluated for impairment indicators at the end of each reporting period and if an indicator exists, the asset is tested for impairment. The recoverable amount is the higher of the asset's fair value less cost to sell or its value in use.

j) *Borrowing Costs and Interest Capitalization*

Short-term debt borrowing costs include transaction fees and interest expense.

Long-term debt borrowing costs include transaction fees, applicable premiums or discounts and interest expense. These costs are amortized over the life of the specific debt instrument, using the effective interest rate method.

All borrowing costs are segregated between operating and capital costs based on the available-for-use rates and the total projected expenditure for the asset, compared to the current total actual expenditure for the asset.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

k) *Pension Benefits*

Pension benefits for employees of the Corporation are provided through the BC Public Service Pension Plan. This jointly trusted plan is accounted for as a defined contribution post-employment benefits pension plan. Payments for the cost of this plan are accounted for on an accrual basis.

l) *Provisions*

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be necessary to settle the obligation, and the amount can be readily estimated. Provisions are not recognized for future operating losses.

m) *Financial Instruments*

IFRS requires that all financial instrument assets be classified as fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables. In addition, derivative financial instrument assets that are not accounted for as hedging instruments must be classified as held-for-trading. Financial instrument liabilities can be classified as fair value through profit or loss or as other liabilities. All financial instruments are measured at fair value on initial recognition. The subsequent measurement of financial instruments depends on the classification of the instrument. Based on the classification of the financial instruments described below, the Corporation has measured its financial instruments subsequent to initial recognition at fair value as follows:

Financial Instrument	Classification	Subsequent Measurement	Recognition
Cash, restricted cash	Fair value through profit or loss	Fair value	Interest income and the effects of foreign currency translation are recognized in the current year's income and expenses.
Trade and other receivables	Loans and receivables	Amortized cost, using the effective interest rate method	Interest income and impairment write downs are recognized in the current year's income and expenses.
Derivatives, where hedge accounting is applied	Derivative instruments in a qualified hedge relationship	Fair value, re-measured at each reporting period	The effective portion of the derivative relationship is recognized in the current year's other comprehensive loss. The ineffective portion of a derivative is recognized in the current year's income and expenses.
Payables	Other financial liability	Amortized cost, using the effective interest rate method	Interest expense and the effects of foreign currency translation are recognized in the current year's income and expenses.
Short-term and Long-term indebtedness	Other financial liability	Amortized cost, using the effective interest rate method	Interest expense and the effects of foreign currency translation are recognized in the current year's income and expenses.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

n) Leases

Leases are classified as finance or operating depending on the terms and conditions of the contracts. Currently, all leases held by the Corporation are classified as operating leases. Accordingly, all leases are expensed on a straight line basis.

o) Foreign Currency Translation

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 in the Statement of Operations and Other Comprehensive Loss.

p) Income Taxes

TI Corp is exempt from corporate income taxes.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, exhibit some variances to actual results.

The following categories set forth management's most critical estimates, assumptions and judgments, when considering both the current *and* prior year balances.

Valuation of Assets under Construction

For large scale projects, the Corporation utilizes the percentage of completion method to determine the cost of assets under construction. The determination of the percentage is usually estimated by the contractor and approved by the Corporation's representative. When a fixed price contract is in place, any percentage of completion estimation errors are corrected on final project completion.

Valuation of Assets Available for Use

The Corporation utilizes the percentage of completion method to determine the value of assets available for use. Assets are considered available for use when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. The determination of assets available for use has a financial impact to the Corporation as the capitalization of borrowing costs ceases and depreciation commences when the asset is determined to be available for use.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

Depreciation

The Corporation is required to make significant estimates involved in the calculation of depreciation. The estimates include the useful life of the assets, the depreciation method, the expected traffic over the life of the CA, the componentization of the assets and the percentage of completion described above. The determination of these estimates can have a significant impact to the Corporation's Statement of Operations and Other Comprehensive Loss.

Accounts Receivable

The Corporation has recorded an allowance in regards to the collectability of certain revenue generated from tolling operations. The allowance methodology includes estimates related to recoveries under the "refuse to issue" program. The refuse to issue program refers to the enforced payment mechanism on outstanding tolls through the annual insurance renewal process and/or the license renewal process administered by the Insurance Corporation of British Columbia.

Provisions

As part of the CA, the Corporation is required to decommission the old Port Mann Bridge and accordingly, the Corporation included the decommissioning costs in the design build contract. The measurement of the provision is estimated by the contractor and approved by the Corporation's representative. The value of the provision is reviewed at the end of each reporting period and any adjustments are recognized in the Statement of Operations and Other Comprehensive Loss.

Impairment

The Corporation evaluates all assets for impairment indicators at the end of each reporting period and if an indicator exists, the asset is tested for impairment. When assessing for impairment indicators, the Corporation considers many factors including market and economic conditions, utilizes judgment and any valuation estimations provided by contractors. As all impairment charges are recognized in the Statement of Operations and Other Comprehensive Loss, impairment charges may have a significant impact on the results of the Corporation.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

5. RECENT ACCOUNTING PRONOUNCEMENTS

i. *IFRS 9 – Financial Instruments*: This standard replaces the current *IAS 39 – Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. This section is effective for fiscal periods beginning on or after January 1, 2018. Early adoption is permitted. TI Corp does not expect a significant financial impact as a result of this change.

ii. *IFRS 15 – Revenue from Contracts with Customers*. This standard replaces *IAS 11 – Construction Contracts*, *IAS – 18 Revenue* and *IFRIC 13 – Customer Loyalty Programs*. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. This section is effective for fiscal periods beginning on or after January 1, 2018. Early adoption is permitted. TI Corp does not expect a significant financial impact as a result of this change.

iii. *IFRS 16 – Leases*. This standard replaces the current *IAS 17 – Leases*. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This section is effective for fiscal periods beginning on or after January 1, 2019. Early adoption is permitted. TI Corp will be evaluating the financial impact of this standard on its financial statements.

iv. *IAS 7 – Statement of Cash Flows*. This amendment enhances disclosure requirements required by the current *IAS 7 – Statement of Cash Flows*. The amendments required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This amendment is effective for fiscal periods beginning on or after January 1, 2017. Early adoption is permitted. TI Corp will be evaluating the disclosure impact of this amendment on its financial statements.

The Corporation did not early adopt any of the above accounting pronouncements where early adoption was permitted.

6. TRADE AND OTHER RECEIVABLES

Receivables (\$000's)

	March 31, 2016	March 31, 2015
Tolling related receivables	\$ 39,603	\$ 33,462
Allowance for doubtful accounts	(4,397)	(3,829)
Net tolling accounts receivable	35,206	29,633
Related party trade accounts receivable (Note 19)	117	508
Other receivables	698	960
	<u>\$ 36,021</u>	<u>\$ 31,101</u>

Allowance for Doubtful Accounts (\$000's)

	March 31, 2016	March 31, 2015
Beginning balance	\$ 3,829	\$ 2,817
Additions	568	1,012
	<u>\$ 4,397</u>	<u>\$ 3,829</u>

Transportation Investment Corporation

Notes to the Financial Statements
For the year ended March 31, 2016

7. PREPAIDS AND DEPOSITS

Prepays and Deposits (\$000's)	March 31, 2016	March 31, 2015
Prepays	\$ 249	\$ 304
Security deposits	30	30
	<u>\$ 279</u>	<u>\$ 334</u>

8. PROPERTY, PLANT AND EQUIPMENT

The costs and accumulated depreciation amounts for the Corporation's property, plant and equipment at March 31, 2016 are as follows (\$000's):

Cost	Highway Infrastructure	Port Mann Bridge	Tolling and Traffic Systems	Office and Leasehold Assets	Assets Under Construction	Total
Beginning balance	\$ 1,914,271	\$ 1,064,762	\$ 116,653	\$ 2,378	\$ 52,423	\$ 3,150,487
Additions	441	-	-	-	21,931	22,372
Reclassifications	54,673	23,625	(7,181)	-	(71,117)	-
Disposals / Write downs	-	-	-	-	-	-
Total	<u>1,969,385</u>	<u>1,088,387</u>	<u>109,472</u>	<u>2,378</u>	<u>3,237</u>	<u>3,172,859</u>
Accumulated Depreciation						
Beginning balance	53,969	16,582	10,119	1,203	-	81,873
Additions	30,170	8,415	9,975	180	-	48,740
Total	<u>84,139</u>	<u>24,997</u>	<u>20,094</u>	<u>1,383</u>	<u>-</u>	<u>130,613</u>
Net book value	<u>\$ 1,885,246</u>	<u>\$ 1,063,390</u>	<u>\$ 89,378</u>	<u>\$ 995</u>	<u>\$ 3,237</u>	<u>\$ 3,042,246</u>

TI Corp completed construction of the Port Mann and Highway 1 corridor improvements in 2015/16. Asset categories were initially based on estimated costs during the construction phase. Now that the improvement project is complete, some asset values have been reclassified based on actual costs. Remaining off-corridor elements of the project will be completed in 2016/17.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

The costs and accumulated depreciation amounts for the Corporation's property, plant and equipment at March 31, 2015 are as follows (\$000's):

Cost	Highway Infrastructure	Port Mann Bridge	Tolling and Traffic Systems	Office and Leasehold Assets	Assets Under Construction	Total
Beginning balance	\$ 1,897,168	\$ 1,064,762	\$ 42,651	\$ 2,378	\$ 72,265	\$ 3,079,224
Additions	-	-	-	-	73,878	73,878
Reclassifications	17,103	-	74,002	-	(91,105)	-
Disposals / Write downs	-	-	-	-	(2,615)	(2,615)
Total	1,914,271	1,064,762	116,653	2,378	52,423	3,150,487
Accumulated Depreciation						
Beginning balance	26,006	8,759	4,623	980	-	40,368
Additions	27,963	7,823	5,496	223	-	41,505
Total	53,969	16,582	10,119	1,203	-	81,873
Net book value	\$ 1,860,302	\$ 1,048,180	\$ 106,534	\$ 1,175	\$ 52,423	\$ 3,068,614

Certain assets were constructed on behalf of third parties and transferred upon completion. During Fiscal 2015, costs of one asset exceeded agreed upon value and the residual amount was written down accordingly.

During Fiscal 2016, capitalized borrowing costs of \$0.2 million (2015 – \$0.7 million) (see note 21) were included as additions to assets under construction. The weighted average effective capitalized interest rate relating to the borrowing cost, including hedge amortization, in Fiscal 2016 was 0.63% (2015 – 3.62%).

9. INTANGIBLE ASSETS

TI Corp has entered into a licensing agreement with the BCTFA to use and occupy certain lands in order to permit the Corporation to comply with its obligations under the CA for the Project. The term of the license commenced on December 1, 2012 and ends on March 14, 2090. Credits are received from BCTFA for the unused portion of land not required for use. Amortization of these intangible assets commenced on December 1, 2012.

Land Rights (at cost) (\$000's)	March 31, 2016	March 31, 2015
Beginning balance	\$ 122,394	\$ 120,238
Additions	2,872	4,251
Amortization (note 22)	(1,673)	(2,095)
	\$ 123,593	\$ 122,394

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

10. INVESTMENT PROPERTY

TI Corp has purchased a small property on a temporary basis to facilitate construction activities. No portion of the investment property is for the use of TI Corp. It is TI Corps intention to sell this property in the near future now that the highway improvements are complete. Consultation with relevant parties are in the early stages. Once greater certainty regarding the timing of a potential sale is achieved, this asset will be re-classified accordingly.

The assessed value for 2016 property tax purposes as determined by the British Columbia Assessment Authority was estimated to be \$859,900. Given the assessed value, the current net book value does not require any impairment adjustment.

The building was available for use and depreciation commenced on April 1, 2011.

Investment Property (at cost) (\$000's)	March 31, 2016	March 31, 2015
Beginning balance	\$ 701	\$ 703
Depreciation (note 22)	(1)	(2)
	<u>\$ 700</u>	<u>\$ 701</u>

Included in above is land valued at \$619,000 and is not depreciated.

The investment property has been leased on a yearly basis since April 2011 and has recorded the following results from rental operations:

Rental Operations (\$000's)	March 31, 2016	March 31, 2015
Rental revenue	\$ 1	\$ 6
Rental expenses		
Utilities	1	1
Depreciation (note 22)	1	2
Total rental expenses	<u>2</u>	<u>3</u>
Net rental income (loss)	<u>\$ (1)</u>	<u>\$ 3</u>

11. RESTRICTED CASH

Restricted cash of \$1.5 million is held as collateral for a standby letter of credit issued by the Canadian Imperial Bank of Commerce (CIBC) in favour of the Receiver General for Canada on behalf of Fisheries and Oceans Canada (the beneficiary), to ensure TI Corp's compliance with their authorization for work or undertakings affecting fish habitat. TI Corp receives interest on this amount at a variable interest rate.

The standby letter of credit expired on June 29, 2015 and was renewed. It is renewed annually until the letter of credit is rescinded or reduced as instructed by the beneficiary. If required, the standby letter of credit will also be automatically reduced by the amount of each drawing paid by CIBC to the beneficiary.

Transportation Investment Corporation

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For the year ended March 31, 2016

12. PAYABLES AND ACCRUED LIABILITIES

Payables (\$000's)	March 31, 2016	March 31, 2015
Design/Build contractor	\$ -	\$ 3,280
Related party payables and accruals (Note 19)	5,228	2,724
Long-term debt interest accrual (Note 19)	37,449	33,507
Other trade payables and accruals	9,055	8,195
	<u>\$ 51,732</u>	<u>\$ 47,706</u>

All account payables 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. Comparative figures have been reclassified to conform to the current year's presentation resulting from the related party disclosure in note 19.

13. DEFERRED REVENUE

Deferred revenue is comprised of customers who, at the end of the fiscal year, have a tolling credit balance in their account to be applied to future crossings.

14. CURRENT INDEBTEDNESS

TI Corp funds its construction and operations with a blend of long-term and short-term debt. Current indebtedness includes accrued interest and the principal value of the short-term debt. Short-term debt is commercial paper debt assumed by TI Corp that typically matures within 365 days. TI Corp has been authorized by the BC Ministry of Finance to acquire up to \$1.6 billion of short-term debt from the Province of British Columbia. The fair values of the commercial paper debt instruments approximate their stated values. At March 31, 2016, the Corporation had short-term debt totaling \$694.0 million (2015 – \$991.3 million) with annual interest rates ranging from 0.48% to 0.73% (2015 – 0.53% to 1.02%) and maturity dates ranging from Apr 4, 2016 to Jan 10, 2017 (2015 – Apr 8, 2015 to Oct 20, 2015).

15. LONG-TERM INDEBTEDNESS

Long-term debt consists of a series of bonds due to the Province of British Columbia. With the approval of the BC Ministry of Finance, sinking fund contribution payments have been temporarily suspended but will commence once sufficient cash flows from tolling have been generated to permit these contributions without the requirement to borrow additional funds. There is one debt maturity (BCCD-23) over the next five years. One long-term debt was issued during the current year which converted short-term debt to long-term debt and took advantage of the current low interest rates (2015 – no issuances). It is the intention of TI Corp management to hold all long-term debt instruments until maturity.

The interest to be paid on currently held long-term debt over the next five years totals \$126.0 million per year. During the construction phase of operations, a portion of the interest costs are capitalized as a part of the capital asset costs. Fair values have been provided by the BC Ministry of Finance as TI Corp's fiscal agent. The fair values have been determined using active market comparisons using relative yield curves provided by third party vendors. The fair value of the long-term debt is greater than the amortized cost due to declining interest rates.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

At March 31, 2016, the Corporation had the following bond series outstanding (\$000's):

Debt Series	Maturity Date	Face Value	Coupon Rate	Effective Rate	March 31, 2016		March 31, 2015	
					Fair Value	Amortized Cost	Fair Value	Amortized Cost
BCCD-23	18-Dec-19	\$ 500,000	4.10%	2.40%	\$ 554,688	\$ 530,003	\$ 567,527	\$ 537,559
BCCD-28	18-Dec-22	400,000	2.70%	2.92%	429,736	394,735	424,321	394,039
BCCD-W	19-Nov-27	235,600	6.15%	4.70%	327,658	265,952	328,252	267,862
BCCD-X	18-Jun-29	222,000	5.70%	4.70%	300,227	243,744	299,799	244,900
BCCD-X	18-Jun-29	591,833	5.70%	4.17%	800,378	683,212	799,239	688,275
BCCD-19	18-Jun-31	150,000	5.00%	5.06%	190,003	149,052	191,224	149,012
BCCP148	9-Jun-39	78,188	4.99%	5.06%	103,749	77,459	105,738	77,443
BCCD-22	18-Jun-40	100,000	4.95%	4.76%	133,143	102,768	135,659	102,827
BCCD-22	18-Jun-40	96,000	4.95%	5.34%	127,817	90,952	130,233	90,853
BCCD-25	18-Jun-42	295,000	4.30%	3.28%	363,859	347,352		
		<u>\$ 2,668,621</u>			<u>\$ 3,331,258</u>	<u>\$ 2,885,229</u>	<u>\$ 2,981,992</u>	<u>\$ 2,552,770</u>

16. PROVISION

The Concession Agreement required TI Corp to decommission the old Port Mann Bridge upon completion of the new structure. During Fiscal 2016, TI Corp fulfilled its contractual obligation to decommission the old Port Mann Bridge.

Provision (\$000's)

Beginning balance
Payments

	March 31, 2016	March 31, 2015
\$	4,618	\$ 16,073
	(4,618)	(11,455)
<u>\$</u>	<u>-</u>	<u>\$ 4,618</u>

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

The Statement of Operations and Other Comprehensive Loss, consists of two components – Net Loss from Operations and Other Comprehensive Loss. Net Loss from Operations recognizes the ineffective portions of fair value changes of financial hedging instruments (labelled “Hedge ineffectiveness loss”). Other Comprehensive Loss recognizes the effective portions of both, the realized and unrealized, fair value changes of financial hedging instruments. The unrealized fair value changes are not amortized until the hedging instrument matures, at which time the fair values convert to realized changes and are amortized through borrowing costs, over the term of the debt assumed and accounted for in the accumulated other comprehensive loss classification. As all hedging instruments have matured, TI Corp only records the amortization of the Accumulated Other Comprehensive Loss.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

18. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	March 31, 2016	March 31, 2015
Share capital	\$ 100	\$ 100
Contributed surplus	149,999,900	149,999,900
	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>

Authorized share 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.

19. 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 the 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. The following is a list of the significant related parties and the nature of transactions with TI Corp:

Name of Related Party	Relationship	Nature of Transactions
BC Ministry of Transportation and Infrastructure	Parent	Technical services
BC Ministry of Finance	Associate	Debt financing and hedging instruments
BC Transportation Financing Authority	Associate	Occupy and use land and buildings

The following shows total transacted amounts and the outstanding year end balances with each related party:

Related Party Transactions (\$000's)	Amount Transacted During		Outstanding Balance At	
	Fiscal 2016	Fiscal 2015	March 31, 2016	March 31, 2015
BC Ministry of Transportation and Infrastructure	\$ 5,513	\$ 11,723	\$ 2,633	\$ 2,524
BC Ministry of Finance	-	-	37,449	33,507
BC Transportation Financing Authority	3,872	4,959	2,595	200
Total payable transactions	<u>\$ 9,385</u>	<u>\$ 16,682</u>	<u>\$ 42,677</u>	<u>\$ 36,231</u>
BC Ministry of Transportation and Infrastructure	207	666	117	508
BC Transportation Financing Authority	2	11	-	-
Total receivable transactions	<u>\$ 209</u>	<u>\$ 677</u>	<u>\$ 117</u>	<u>\$ 508</u>
Net debt transactions with BC Ministry of Finance	<u>\$ 120,934</u>	<u>\$ 245,491</u>	<u>\$ 3,579,247</u>	<u>\$ 3,544,032</u>

Comparative figures have been reclassified to conform to the current year's presentation resulting from the removal of non-significant related parties.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

20. TOLLING AND RELATED REVENUES

Tolling and Related Revenues (\$000's)	March 31, 2016	March 31, 2015
Tolling revenue	\$ 119,465	\$ 109,009
License plate processing fees	9,932	9,255
Tolling related fees	6,445	2,985
Discounts	(557)	(27)
	<u>\$ 135,285</u>	<u>\$ 121,222</u>

Tolling related fees include such fees as refuse-to-issue ("RTI"), non-sufficient funds ("NSF") and interest on overdue accounts.

21. BORROWING COSTS

Borrowing Costs (\$000's)	Capital Portion		Operating Portion	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Interest and fees	\$ 195	\$ 620	\$ 125,061	\$ 121,600
Premium/Discount amortization	(16)	(72)	(15,913)	(14,321)
Hedge amortization	25	116	23,394	23,294
	<u>\$ 204</u>	<u>\$ 664</u>	<u>\$ 132,542</u>	<u>\$ 130,573</u>

22. DEPRECIATION AND AMORTIZATION

Depreciation and Amortization (\$000's)	March 31, 2016	March 31, 2015
Property, plant and equipment depreciation (note 8)	\$ 48,740	\$ 41,505
Intangible assets amortization (note 9)	1,673	2,095
Investment property depreciation (note 10)	1	2
	<u>\$ 50,414</u>	<u>\$ 43,602</u>

23. WAGES AND BENEFITS

The total wages and benefits included in the Statement of Operations and Other Comprehensive Loss for Fiscal 2016 is \$2.9 million (2015 – \$3.0 million). Compensation to key management has increased due to the addition of two positions during the year (2015 – 1 position) and is comprised of the following:

Key Management Personnel (\$000's)	March 31, 2016	March 31, 2015
Executive and Board compensation	\$ 665	\$ 507
Executive short term benefits	13	22
Executive post-employment benefits	71	-
Executive termination benefits	1	-
	<u>\$ 750</u>	<u>\$ 529</u>

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Notes to the Financial Statements

For the year ended March 31, 2016

24. EMPLOYEE BENEFIT PLAN

In Fiscal 2010, both TI Corp and its employees commenced contributions to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, have oversight responsibilities for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer jointly trustee pension plan that shares risk between various entities.

The Corporation does not account for its participation in the multi-employer plan as a defined benefit plan because the Corporation does not have access to information about the plan that would enable the Corporation to record its share of the obligations of the plan, plan assets and costs of the plan. In addition, the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual entities which participate in the plan. Accordingly, the participation in the plan is accounted for using defined contribution accounting requirements. The Corporation accrues expenses for contributions which are contractually due as at the reporting period date to the plan for past service based on the contribution funding schedule of the Plan. At March 31, 2016, the Corporation has approximately 35 employees contributing to the Plan which has approximately 115,000 active and retired plan members.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest actuarial valuation, as at March 31, 2014, indicated the funding surplus amount is \$194 million for basic pension benefits. The next valuation is due at March 31, 2017. The actuary does not attribute portions of any unfunded liability to individual employers. Total account contribution rates in effect for the year ended March 31, 2016, as a percent of salary, are as follows:

	Employee	Employer
Below year's maximum pensionable earnings for CPP	7.93%	9.43%
Above year's maximum pensionable earnings for CPP	9.43%	10.93%

In Fiscal 2016, the employees of the TI Corp contributed \$189,616 (2015 – \$159,807) and the Corporation paid \$223,201 (2015 – \$188,598) in employer contributions to the Plan.

25. CONCESSION AGREEMENT

TI Corp, Ministry and the BCTFA entered into a CA, dated March 10, 2010. The CA governs the duties, rights and responsibilities of each party with respect to the design, construction and tolling of the Port Mann Bridge and the surrounding highway infrastructure. The expiry date of the CA is March 14, 2090 and the tolling term expires on March 14, 2050.

TI Corp's duties as defined under the CA include:

- Manage and finance the construction of the Project.
- Undertake the ongoing operations, maintenance and rehabilitation of the Concession Highway.
- Develop and operate a tolling system during the tolling term.
- Collect and retain toll revenue.
- Maintain ownership of acquired capital assets.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2016

Province's obligations as described in the CA include:

- 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 as defined under the CA include:

- Grant licenses for use and occupation of lands by TI Corp.

26. COMMITMENTS

Commitments (in millions)	Operational		Capital
	Operating Leases	Commitments	Commitments
Fiscal 2017	\$ 1	21	22
Fiscal 2018	\$ 1	19	-
Fiscal 2019	\$ 1	19	-
Fiscal 2020	\$ 1	1	-
Beyond	\$ 3	-	-
	<u>\$ 7</u>	<u>\$ 60</u>	<u>\$ 22</u>

Included in operating leases is rental of office space and equipment. The office lease term is 10 years with a review of the rental rate at the end of Fiscal 2018. All office equipment leases expire prior to Fiscal 2018. Included in Fiscal 2017 is a commitment to the Ministry, a related party, totaling \$26 million (\$12 million to operational and \$14 million to capital). Although TI Corp has no additional significant contracts in effect at March 31, 2016, the Corporation may have a requirement to engage contractors in the future for continued operational purposes.

27. CAPITAL MANAGEMENT

There have been no major changes to TI Corp's approach to capital management during the year ended March 31, 2016. TI Corp defines capital as cash, cash equivalents, derivative contracts, contributed surplus, share capital 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 financial 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 may be invested in interest bearing bank deposits.

During the construction phase of operations, TI Corp utilizes short-term debt to fund construction and ongoing operations. Pursuant to TI Corp's long-term debt strategy and hedging plan, its construction and operations are funded with a blend of long-term and short-term debt.

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Notes to the Financial Statements

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28. FINANCIAL INSTRUMENT RISKS

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

Credit Risk

Credit risk is the risk to TI Corp that a counterparty to a financial instrument will cause a financial loss by failing to discharge an obligation. TI Corp has entered into a derivative product transactions agreement with the BC Ministry of Finance under which the Minister, as fiscal agent for the Corporation, may enter into derivative product transactions with third parties. Provincial Government policy is that derivative transactions are entered into only with counterparties, comprising Canadian Schedule A banks with a rating from Standard and Poor's and Moody's Investors Service Inc. of at least AA-/Aa3 or A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these on a regular basis. At March 31, 2016 and 2015, TI Corp does not have significant counterparty credit risk on its derivatives as the fair value of the derivatives is \$Nil.

In accordance with the Corporation's accounting policies, revenue is recognized when it is probable that economic benefits will flow to the organization. The main criteria include the ability to measure and apply the correct fees and to be able to successfully retrieve the customer's correct billing information. Credit risk arises with respect to the ability to bill customers and the rate of collection from these customers. An aging profile of customer accounts has been established and is monitored regularly with ongoing review of collection strategies. The current balances are as follows:

Tolling Related Receivables Aging Table (in millions)

	March 31, 2016	March 31, 2015
Unbilled	\$ 7	\$ 4
Current	10	10
1-30 Days	3	3
31-60 Days	2	2
61-90 Days	2	2
Over 90 Days	16	13
	<u>\$ 40</u>	<u>\$ 34</u>

Trade and other receivables do not present a significant credit risk because:

- Application of additional fees when tolls are not paid according to applicable terms, and
- The enforced payment mechanism through the insurance renewal process and/or the license renewal process.

Additionally, given that cash is held at major banking institutions with strong credit worthiness, credit risk is further reduced.

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For the year ended March 31, 2016

Liquidity Risk

Liquidity risk is the risk that TI Corp will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. TI Corp has been provided approval to incur debt of up to \$3.9 billion, with funding provided through the Minister of Finance as TI Corp's fiscal agent. The Corporation has implemented a debt management plan and monitors its spending and debt through budgets, forecasts and effective management of its contracts.

Cash flows are regularly reviewed and updated to account for any significant impact on liquidity arising from traffic volatility or interest rate changes. As part of its long range forecast, TI Corp is projecting negative cash flows in the early years and the funding for this is within the approved debt limits. Although negative cash flows are common in newly established organizations, positive cash flows are expected for TI Corp in the future and on this basis, the corporation considers the going concern assumption appropriate in the preparation of the financial statements.

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.

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. TI Corp maintains one bank account in US dollar denomination and at March 31, 2016, the balance was \$435,615 (2015 – \$329,952). TI Corp does not maintain any foreign currency debt.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates. TI Corp is exposed to cash flow interest rate risk as a result of its requirement to assume short-term and long-term debt over the period of its infrastructure development and early stages of operations. As short-term debt must be renewed on a frequent basis, interest rate increases will lead to higher interest costs. For the 2016 fiscal year, a change of 1% to the short-term interest rate would result in an estimated short-term interest cost change of \$6.9 million (2015 – \$9.4 million). As part of the 2009 Debt Financing Plan, TI Corp instituted a hedging strategy to mitigate the risk of higher long-term interest rates. At March 31, 2016, all of the Corporation's long-term debt is fixed rate debt; accordingly, changes in interest rates do not impact interest payments but may impact the fair value of such long-term debt.

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For the year ended March 31, 2016

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, the Corporation is not exposed 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).

The following outlines the fair value of certain financial instruments and their associated measurement level:

Financial Instrument (\$000's)	Note	March 31, 2016	March 31, 2015	Measurement Level
Cash		\$ 12,471	\$ 15,585	1
Trade and other receivables	6	\$ 36,021	\$ 31,101	1
Prepays and deposits	7	\$ 279	\$ 334	1
Payables and accrued liabilities	12	\$ 51,732	\$ 47,706	1
Current indebtedness	14	\$ 694,018	\$ 991,262	1
Long-term indebtedness	15	\$ 3,331,258	\$ 2,981,992	2

The valuation of all items above except Long-term indebtedness approximated their fair values at year end because of the short-term maturities of these instruments. Long-term indebtedness is valued on the Statement of Financial Position at its amortized cost using the effective interest rate method. The BC Ministry of Finance provides the fair value at year end.

The carrying value for derivatives hedging instruments which are over the counter instruments is established by use of discounted cash flow valuation models. The valuation models use market observable data for future interest rates in the estimation of fair value. The discount rate is based upon a risk free rate with a credit valuation adjustment for entity level or counterparty credit risk depending on whether the derivative is in an asset or liability position respectively. As TI Corp does not have an entity level credit rating the credit valuation adjustment takes account of credit rates for similar entities using market observable data where possible.

29. CONTINGENCIES

The Corporation developed a Park & Ride Station known as the 202 Street Park & Ride Project. To develop the Project, TI Corp entered into an agreement with the Township of Langley ("Township"), which specifies that for a 15 year term, the Township is responsible to collect Specified Charges from any developer who develops

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Benefiting Parcels that connect the storm drainage system to the retention pond, which was built as part of the Project. Further, the Township is required to remit the Specified Charges collected to the Corporation at the beginning of the next calendar year and each calendar year thereafter, the Specified Charges collected from the previous year in respect of the development of Benefiting Parcels. Because the conditions outlined above are required to be met to collect the Specified Charges, the total amount to be received is considered conditional and unknown and, therefore, meets the definition of a contingent asset. At March 31, 2016, the Corporation has received \$Nil.

In the ordinary course of business, TI Corp can become a defendant or party to pending or threatened legal actions and proceedings. It is not possible to determine the ultimate outcome of such matters; however, based on all currently available information, management believes that liabilities, if any, arising from any pending litigation will not have a material adverse effect on the financial position or results of operations of the Corporation.

30. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, TI Corp settled an outstanding legal case for a total amount of \$125K. This amount was accrued at March 31, 2016 in Payables and accrued liabilities.