Consolidated Financial Statements of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2026

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2026

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards.

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when current accounting period transactions cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority:

Heather Wood
Chief Executive Officer
Date: July 9, 2026

Heather Hill
Executive Financial Officer
and Corporate Secretary
Date: July 9, 2026

Office of the
Auditor General
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Independent Auditor's Report

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

Qualified opinion

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority "the group", which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for qualified opinion section of my report, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2026, and the results of its operations, change in its net debt, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for qualified opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2 h) to the consolidated financial statements, the group's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized.

Under Canadian public sector accounting standards, the group's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the group's method of accounting for those contributions represents a departure from Canadian public sector accounting standards.

This departure has existed since the inception of the standard in 2012. As of March 31, 2026, the liability for deferred capital contributions is overstated by $5.757 billion, the annual deficit and the accumulated deficit are understated by $5.757 billion, and contributions revenue is understated by $5.757 billion. This represents the cumulative impact of this departure over time.

Of this cumulative amount, $738 million represents the understatement of contributions revenue and corresponding understatement of annual deficit in the current fiscal year.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the group's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the group will continue its operations for the foreseeable future.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the group's consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Bridget Parrish, CPA, CA
Auditor General of British Columbia

Victoria, British Columbia
July 10, 2026

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2026 ($ 000s)	2025 ($ 000s)
Financial assets:			
Cash and cash equivalents	3	24,617	20,996
Due from government and government organizations	4	272,313	175,468
Accounts receivable	5	2,869	2,897
Investment in government business enterprise	6	266,894	247,658
Other financial assets	7	5,203	3,106
Derivative instruments	8	121,746	164,240
		693,642	614,365
Liabilities:			
Due to government and government organizations	9	1,160,875	946,206
Accounts payable and accrued liabilities	10	315,737	272,318
Debt	11	27,302,999	23,504,558
Public-private partnership liabilities	12	430,807	485,710
Deferred capital contributions	13	5,756,892	5,203,110
Deferred revenue	14	47,009	48,230
Derivative instruments	8	551,284	563,518
		35,565,603	31,023,650
Net debt		(34,871,961)	(30,409,285)
Non-financial assets:			
Tangible capital assets	15	27,167,008	24,015,160
Other non-financial assets	16	218,573	178,882
		27,385,581	24,194,042
Accumulated deficit		(7,486,380)	(6,215,243)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(6,832,057)	(5,620,507)
Accumulated remeasurement losses		(654,323)	(594,736)
		(7,486,380)	(6,215,243)
Contractual rights	17		
Contractual obligations	18		
Contingent assets	19		
Contingent liabilities	20		

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

On behalf of BC Transportation Financing Authority:

Honourable Mike Farnworth
Director
Date: July 9, 2026

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	Budget (Note 25) ($ 000s)	2026 ($ 000s)	2025 ($ 000s)
Revenues:				
Tax revenue:	21			
Motor fuel tax		442,000	459,315	430,469
Car rental tax		7,500	7,500	7,500
Total tax revenue		449,500	466,815	437,969
Amortization of deferred capital contributions	13	177,485	184,455	184,656
Operating revenue	22	22,387	20,546	28,065
Earnings from government business enterprise	6	13,429	18,223	8,605
		662,801	690,039	659,295
Expenses:				
Operating expenses:				
Highway operations		914,891	814,948	767,859
Transit programs		229,513	217,900	172,485
Ferry operations		24,490	24,457	27,531
Other programs		89,775	78,514	91,042
Total operating expense	23	1,258,669	1,135,819	1,058,917
Direct debt interest expense	24	869,132	765,770	757,796
		2,127,801	1,901,589	1,816,713
Annual operating deficit		(1,465,000)	(1,211,550)	(1,157,418)
Accumulated operating deficit, beginning of year			(5,620,507)	(4,463,089)
Accumulated operating deficit, end of year			(6,832,057)	(5,620,507)

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

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Debt

For the year ended March 31	Budget (Note 25) ($ 000s)	2026 ($ 000s)	2025 ($ 000s)
Annual operating deficit	(1,465,000)	(1,211,550)	(1,157,418)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(5,069,000)	(3,804,904)	(3,012,668)
Amortization of tangible capital assets	671,157	647,386	636,671
Asset write-offs, disposals and other adjustments	10,000	5,670	3,637
	(4,387,843)	(3,151,848)	(2,372,360)
Effect of change in investment in government business enterprises:			
Other comprehensive gain (loss)		1,013	(146)
		1,013	(146)
Effect of change in fair value adjustments and foreign currency translation:			
Equity Investments		50	(62)
Foreign currency translation		(30,390)	(153,547)
Derivative instruments		(30,260)	155,575
		(60,600)	1,966
Effect of change in other non-financial assets		(39,691)	(177,996)
		(39,691)	(177,996)
Increase in net debt		(4,462,676)	(3,705,954)
Net debt, beginning of year		(30,409,285)	(26,703,331)
Net debt, end of year		(34,871,961)	(30,409,285)

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

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2026 ($ 000s)	2025 ($ 000s)
Accumulated remeasurement (losses), beginning of year	(594,736)	(596,556)
Unrealized gains and losses:		
Unrealized gains (losses) on equity investments	50	(62)
Unrealized foreign exchange (losses) on debt	(41,775)	(156,532)
Unrealized (losses) gains on derivative instruments	(19,827)	154,705
	(61,552)	(1,889)
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange losses	11,385	2,985
Realized (gains) losses on derivative instruments	(10,433)	870
	952	3,855
Unrealized comprehensive gains (losses) from government business enterprise	1,013	(146)
Accumulated remeasurement (losses), end of year	(654,323)	(594,736)

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

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2026 ($ 000s)	2025 ($ 000s)
Operating activities:		
Annual operating deficit	(1,211,550)	(1,157,418)
Items not involving cash:		
Amortization of tangible capital assets	647,386	636,671
Amortization of deferred capital contributions	(184,455)	(184,656)
Amortization of debt premiums, discounts and issue costs	44,320	39,906
Cost of properties sold (other financial assets)	34	-
(Earnings) from government business enterprises	(18,223)	(8,605)
Change in operating working capital:		
Due from government and government organizations	(96,845)	(43,032)
Accounts receivable	28	101
Due to government and government organizations	214,669	248,656
Accounts payable and accrued liabilities	43,419	4,698
	(561,217)	(463,679)
Financing activities:		
Proceeds from debt issued	5,531,952	3,204,818
Repayment of debt	(1,808,221)	(299,856)
Net change in public-private partnership liabilities	(54,903)	(53,244)
Net change in deferred capital contributions	738,237	804,428
Net change in deferred revenue	(1,221)	(1,440)
	4,405,844	3,654,706
Capital activities:		
Purchase of tangible capital assets	(3,804,904)	(3,012,668)
Cost of tangible capital assets written down or disposed	3,589	3,832
Cost of tangible capital assets sold	-	1
Net change in other non-financial assets	(39,691)	(177,996)
	(3,841,006)	(3,186,831)
Change in cash and cash equivalents	3,621	4,196
Cash and cash equivalents, beginning of year	20,996	16,800
Cash and cash equivalents, end of year	24,617	20,996
Supplemental disclosure of cash flow information: Interest paid	840,763	791,156

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

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (Province), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by a Board who may exercise the rights, powers and advantages conferred under the *Act*. However, the Board is constrained in the use and disposal of its assets.

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and transit-oriented developments. BCTFA is obligated to take full responsibility for providing services to the general public by holding and improving transportation infrastructure over their useful lives.

BCTFA has two wholly-owned subsidiaries:

British Columbia Railway Company (BCRC), a government business enterprise, became a subsidiary of BCTFA on April 1, 2010, with a mandate to acquire and hold railway corridor and strategic port lands and to make related infrastructure investments to provide benefits to the Province.

Transportation Investment Corporation (TI Corp), a taxpayer supported Crown corporation, became a subsidiary of BCTFA on April 1, 2018, with a mandate to provide enhanced oversight, management and delivery of major transportation projects.

BCTFA, BCRC and TI Corp are exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS).

b) Basis of consolidation:

Investment in the government business enterprise is consolidated into these financial statements using the modified equity method from the date the enterprise became a subsidiary of BCTFA. Under the modified equity method, net income/loss, other comprehensive income/loss, and changes in equity of the government business enterprise are consolidated. Inter-entity transactions are not eliminated. No adjustment is made for accounting policies of the government business enterprise that are different from BCTFA. Payments from the government business enterprise to the Province and BCTFA are deducted from the investment.

Investment in the taxpayer supported Crown corporation is consolidated into these financial statements using the full consolidation method from the date the corporation became a subsidiary of BCTFA. Under the full consolidation method, inter-entity balances and transactions, and any unrealized income and expenses arising from inter-entity transactions, are eliminated on consolidation. Adjustments are made for accounting policies of the taxpayer supported Crown corporation that are different from BCTFA.

2. Significant accounting policies: (continued)

c) Financial instruments:

Financial instruments include primary instruments such as receivables, payables and loans and derivative instruments such as interest rate swaps and currency swaps. These instruments create rights and obligations for an entity to receive or deliver economic benefits. Public sector accounting standards require that these instruments be assigned to one of the two measurement categories below:

i) fair value; or
ii) cost or amortized cost.

BCTFA measures its equity investments and derivative instruments at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system describes the basis of inputs used to measure financial instruments in the fair value category:

i) Level 1 - Quoted price in active market for identical assets or liabilities;
ii) Level 2 - Internal models developed from observable market data for similar assets or liabilities;
iii) Level 3 - Internal models developed without observable market data.

Equity investments:

BCTFA measures its equity investments at fair value at fiscal year-end using the last bid price in an active exchange (Level 1). Changes in the fair value of the investments are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the investments are sold.

Derivative instruments:

BCTFA uses derivative contracts to manage its currency and interest rate exposure. The derivative contract at inception has no value. At each fiscal year-end, these contracts are remeasured at fair values provided by Provincial Treasury, which uses Level 2 methodology to derive the fair values. Changes in the fair value of these contracts are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the contract expires or is extinguished.

Other financial assets and financial liabilities:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. Interest attributable to financial instruments of this type are reported in the statement of operations.

2. Significant accounting policies: (continued)

d) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway infrastructure or transit-oriented development purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

i) prior to the date of the financial statements, management, with appropriate authority, commits the entity to selling the asset;
ii) the asset is in a condition to be sold;
iii) the asset is publicly seen to be for sale;
iv) there is an active market for the asset;
v) there is a plan in place for selling the asset; and
vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

e) Bond premiums, discounts and issue costs:

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

f) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as costs incurred by the BCTFA. The private sector partner's costs requires the extraction of capital cost information from the financial model supporting the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and the amount financed by the private sector partner is recorded as a liability. These assets will be amortized over their estimated useful lives consistent with the tangible capital assets in note 2(j) and the corresponding liabilities will be paid down over the term of the agreements using the effective interest rate method.

g) Revenue recognition:

All revenues are recorded on an accrual basis and recognized in the period in which the transactions or events occurred that gave rise to the revenues. Revenue from exchange transactions is recognized when performance obligations are met.

h) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary contributions for depreciable tangible capital assets and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land are recognized as revenue in the period when authorized and all eligibility criteria are met.

2. Significant accounting policies: (continued)

i) Deferred revenue:

Deferred lease and licence revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement as performance obligations to the payor are met. Other deferred operating revenue is recognized as revenue when services are rendered.

j) Tangible capital assets:

BCTFA expenses all pre-project planning costs. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use. The costs of a project in progress are written off in the year it is determined no asset will result.

Completed infrastructure is recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. Capitalization of financing charges ceases when substantial completion of a project is attained.

The costs of completed infrastructure, less the residual value and related land acquisition cost, are amortized on a straight-line basis over its estimated useful life as follows:

Tangible capital asset	Estimated useful life
Land	Indefinite
Vessels	15 - 40 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	3 - 100 years
Transit infrastructure	15 - 100 years
Building and improvements	3 - 90 years

The cost of completed infrastructure is written down when conditions indicate that it no longer contributes to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the asset is less than its net book value. The net write-down is accounted for as expense in the statement of operations.

Tangible capital assets and properties transferred from government or government organizations are recorded at their net book values with corresponding entries to deferred capital contributions and statement of operations respectively.

BCTFA records the cost of purchased intangible assets. Contributed intangible assets, such as land use rights or licenses are not recorded.

2. Significant accounting policies: (continued)

k) Inventories held for use:

Inventories are materials held for use in future construction projects and are recorded at the lower of weighted average cost and net realizable value.

l) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

m) Impairment of accounts receivable:

At the end of each reporting period, BCTFA uses objective evidence, such as an aging analysis or ability to collect analysis, to determine the best estimate of any impairment associated with accounts receivable. Impairment losses on receivable are recorded in the statement of operations, and adjusted in subsequent periods if the amount of impairment changes.

n) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the related assets or liabilities expire or are extinguished.

o) Liability for contaminated sites:

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A contaminated site does not include airborne contamination or contaminants in the earth's atmosphere unless such contaminants have been introduced into soil, water bodies or sediment.

The nature of BCTFA's activities sometimes leads to the ownership and responsibility of certain contaminated sites that are used for transportation infrastructure and some contaminated sites that are no longer in productive use.

BCTFA recognizes the liability of all contaminated sites that are not in productive use if a reasonable estimate of the remediation cost can be made.

2. Significant accounting policies: (continued)

o) Liability for contaminated sites: (continued)

BCTFA recognizes the liability of the contaminated sites that are in productive use if it is expected that remediation is required in the future and a reasonable estimate of the cost can be made. If a contaminated site is in use and there is no plan for remediation in the foreseeable future, BCTFA discloses it as a contingent liability if a reasonable estimate of the remediation cost can be made. BCTFA performs periodic assessments of all contaminated sites and makes changes to the accrued and contingent liabilities in the year when the status or estimates change.

The estimated liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, net of any expected recoveries. The basis of the estimate for each contaminated site comes from the estimates of an external consultant or from the Ministry of Transportation and Transit's experience at other similar sites.

p) Asset retirement obligation:

BCTFA recognizes asset retirement obligations where there is a legal obligation to retire a tangible capital asset and a reasonable estimate of the fair value of the obligation can be determined. For assets not fully amortized, the associated retirement costs are capitalized as part of the carrying value and amortized over the underlying assets' useful lives. The obligation is adjusted for the passage of time, which is recognized as accretion expense, and for revisions to the timing or the amount of the estimated liability. Costs relating to obligations of fully amortized assets are expensed.

q) Measurement uncertainty:

The presentation of the consolidated financial statements in conformity with PSAS 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 consolidated financial statements, and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include capital asset useful life and rates for amortization; liabilities for contaminated sites; asset retirement obligations; and provisions for expropriation, construction and other claims.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

Liabilities for contaminated sites and asset retirement obligations are subject to a high degree of uncertainty. The existence and extent of the contamination or hazardous material, the responsibility for clean-up, the long-term nature of the liabilities and often indeterminate settlement dates all contribute to the measurement uncertainty. Provisions for expropriation, construction and other claims are contingent to the likelihood of the occurrence (non-occurrence) of a future event that will confirm that a liability has been incurred cannot be reliably estimated in all circumstances. The degree of measurement uncertainty resulting from the estimation of these liabilities cannot be reasonably determined.

2. Significant accounting policies: (continued)

r) Future accounting standards:

Standards and interpretations issued that are relevant to the operations of BCTFA, but not yet effective include:

- The Conceptual Framework for Reporting in the Public Sector (effective on or after April 1, 2026) - Replaces PS 1000, Financial Statement Concepts and PS 1100, Financial Statement Objectives. Provides the core concepts and objectives underlying Canadian public sector accounting standards.
- PS 1202 Financial Statement Presentation (effective on or after April 1, 2026) - Replaces PS 1201, Financial Statement Presentation. Establishes the general and specific requirements for the presentation of information in general purpose financial statements.

Management is still assessing the impact the new standards will have on the presentation of the consolidated financial statements.

3. Cash and cash equivalents:

	2026 ($ 000s)	2025 ($ 000s)
Cash	18,850	15,367
Cash equivalents	5,767	5,629
	24,617	20,996

Cash equivalents are investments in money market instruments which are redeemable within a day's notice.

Included in cash equivalents is $2.7 million (2025 - $3.3 million) funding received from road users for the Sierra Yoyo Desan Road Transition Agreement between BCTFA and the Ministry of Energy and Climate Solutions. These funds can only be used for the improvement or maintenance of the Sierra Yoyo Desan Road.

4. Due from government and government organizations:

	2026 ($ 000s)	2025 ($ 000s)
Province of British Columbia	272,308	175,468
Infrastructure BC Inc.	5	-
	272,313	175,468

Included in amounts due from the provincial government are:

- $41.4 million (2025 - $29.2 million) fuel tax revenue owing to BCTFA.
- $216.0 million (2025 - $129.4 million) grant provided to BCTFA for Capital Projects Eligible for Federal Disaster Recovery.

5. Accounts receivable:

Accounts receivable	2026 ($ 000s)	2025 ($ 000s)
Tolling related accounts receivable	12,103	12,103
Allowance for doubtful accounts	(12,103)	(12,103)
Net tolling related accounts receivable	-	-
Other accounts receivable	2,869	2,897
	2,869	2,897

Allowance for doubtful accounts	2026 ($ 000s)	2025 ($ 000s)
Beginning balance	12,103	12,103
Additions	-	-
	12,103	12,103

Tolls on Port Mann Bridge were removed on September 1, 2017. BCTFA has continued to collect outstanding tolls. Provision has been made for outstanding toll receivables determined to be uncollectible.

6. Investment in government business enterprise:

	2026 ($ 000s)	2025 ($ 000s)
Investment in BCRC, beginning of year	247,658	239,199
Earnings for the year	18,223	8,605
Other comprehensive gain (loss)	1,013	(146)
	19,236	8,459
Investment in BCRC, end of year	266,894	247,658

BCRC's consolidated financial statements have been prepared by its management in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

6. Investment in government business enterprise: (continued)

Consolidated Statement of Financial Position As at March 31	2026 ($ 000s)	2025 ($ 000s)
Current assets	60,554	49,571
Non-current assets	398,987	407,840
Total assets	459,541	457,411
Current liabilities	3,450	3,547
Non-current liabilities	189,197	206,206
Total liabilities	192,647	209,753
Total shareholder's equity	266,894	247,658
Total liabilities and shareholder equity	459,541	457,411

Consolidated Statement of Comprehensive Income For the year ended March 31	2026 ($ 000s)	2025 ($ 000s)
Revenue	39,733	40,990
Expenses	(21,510)	(32,385)
Net income	18,223	8,605
Other comprehensive gain (loss)	1,013	(146)
Total comprehensive income	19,236	8,459

7. Other financial assets:

	2026 ($ 000s)	2025 ($ 000s)
Equity investments	95	45
Properties held for sale	5,108	3,061
	5,203	3,106

Equity investments are investments in shares of Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement. As at March 31, 2026, BCTFA holds 28,250 shares (2025 - 28,250 shares) of Ballard Power Systems Inc.

Properties held for sale are surplus properties that are not anticipated to be used for future highway infrastructure or transit-oriented development purposes and have met all criteria in note 2(d).

8. Derivative instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated with interest rate and foreign exchange fluctuations. To mitigate exposure to those risks, BCTFA entered into a number of interest rate and currency swap contracts. The contracts expire between fiscal 2026/27 and 2049/50 and the fair value are as follows:

Derivative instrument assets	2026 ($ 000s)	2025 ($ 000s)
Interest rate swaps	76,321	108,694
Cross currency swaps	45,425	55,546
	121,746	164,240

Derivative instrument liabilities	2026 ($ 000s)	2025 ($ 000s)
Interest rate swaps	156,277	110,697
Cross currency swaps	395,007	452,821
	551,284	563,518

During the year, BCTFA entered into four new derivative contracts (2025 - nil) and five derivative contracts expired (2025 - one contract expired).

9. Due to government and government organizations:

	2026 ($ 000s)	2025 ($ 000s)
Province of British Columbia	1,160,867	934,952
BC Infrastructure Benefits Inc.	-	11,243
Infrastructure BC Inc.	8	11
	1,160,875	946,206

Amounts due to the provincial government consist mainly of capital project payments and accrued project liabilities.

10. Accounts payable and accrued liabilities:

	2026 ($ 000s)	2025 ($ 000s)
Interest payable	257,367	216,377
Liabilities for contaminated sites	45,718	41,646
Other payables and accrued liabilities	12,225	13,928
GST remittance to federal government	427	367
	315,737	272,318

11. Debt:

a) The Minister of Finance is the fiscal agent of BCTFA. Debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget. BCTFA acquired $5,532 million new debt (2025 - $2,959 million) and retired $1,658 million debt during the year (2025 - $300 million).

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt[1] ($ 000s)	2026 Canadian total ($ 000s)	2025 Canadian total ($ 000s)
Promissory notes.....	2026	150,074	45,000	195,074	39,972
Debt.....	2026	-	-	-	889,301
	2027	285,600	670,251	955,851	770,251
	2028	1,379,500	-	1,379,500	1,127,000
	2029	667,000	-	667,000	667,000
	2030	673,000	-	673,000	673,000
	2031	1,223,100	200,000	1,423,100	1,423,100
	2032 - 2036	6,811,432	135,181	6,946,613	5,838,613
	2037 - 2041	2,395,792	287,100	2,682,892	1,807,523
	2042 - 2046	2,032,537	390,780	2,423,317	2,423,317
	2047 - 2051	3,487,000	831,715	4,318,715	4,318,715
	2052 - 2056	4,846,000	-	4,846,000	2,599,000
	2057 - 2061	-	-	-	-
	2062 - 2066	180,500	-	180,500	180,500
Total debt issued		24,131,535	2,560,027	26,691,562	22,757,292
Unrealized foreign exchange loss on debt				219,755	189,364
Unamortized debt premium, discount and issue cost				(454,618)	(438,398)
				26,456,699	22,508,258
The weighted average effective interest rates on the above debt as of March 31 are:				3.71 %	3.73 %

[1]As at March 31, 2026, BCTFA has $702 million US dollar debt (2025 - $669 million), 1,032 million Euro dollar debt (2025 - 1,100 million) and $148 million AUD debt (2025 - $148 million) outstanding.

11. Debt: (continued)

b) BCTFA has three design, build and finance (DBF) contracts with private sector partners to deliver the Broadway Subway Project, the Pattullo Bridge Replacement and the Surrey Langley SkyTrain project. The liability shown below represents private sector partners' financing amount, net of progress payments made by the entity. During the year, no new private sector debt was acquired (2025 - $246 million) and $150 million debt was retired (2025 - nil).

	Project status	Interest rate (%)	Contract Type	Contract term Years	Capital liabilities 2026 ($ 000s)	Capital liabilities 2025 ($ 000s)
Pattullo Bridge Replacement	Work-in-progress	3.87	DBF	7.3	150,600	300,600
Broadway Subway Project	Work-in-progress	2.76	DBF	6.8	450,000	450,000
Surrey Langley SkyTrain	Work-in-progress	5.48	DBF	3.9	245,700	245,700
					846,300	996,300

Anticipated principal repayments on fiscal agency and private sector debt for the next five fiscal years and thereafter are as follows:

Principal repayment in Canadian currency ($ 000s)	
2027	1,251,525
2028	2,125,200
2029	667,000
2030	673,000
2031	1,423,100
and thereafter	21,398,037
	27,537,862

12. Public-private partnership liabilities:

BCTFA has four design, build, finance and operate (DBFO) contracts with private sector partners where the related infrastructure has been placed in service. Information presented below shows the outstanding balance of the capital liabilities under these contracts. Future payments for the financing and operating components of these contracts are disclosed under contractual obligations in note 18.

	Project status	Interest rate (%)	Contract Type	Contract term Years	Capital liabilities 2026 ($ 000s)	Capital liabilities 2025 ($ 000s)
South Fraser Perimeter Road	Completed	9.16	DBFO	20.0	114,143	119,010
Kicking Horse Park Bridge	Completed	7.40	DBFO	25.0	26,441	31,218
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25.0	182,094	219,705
William R. Bennett Bridge	Completed	7.88	DBFO	30.0	108,129	115,777
					430,807	485,710

Anticipated principal repayments on public-private partnership liabilities for the next five fiscal years and thereafter are as follows:

Principal repayment ($ 000s)	
2027	63,025
2028	69,444
2029	77,210
2030	86,671
2031	37,678
and thereafter	96,779
	430,807

13. Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized.

	April 1, 2025 balance ($ 000s)	Net addition ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2026 balance ($ 000s)
Provincial government	1,792,510	215,693	(102,517)	1,905,686
Federal government	3,225,841	507,875	(75,056)	3,658,660
Municipal government	54,565	14,000	(1,856)	66,709
Other partners	130,194	669	(5,026)	125,837
	5,203,110	738,237	(184,455)	5,756,892

14. Deferred revenue:

	April 1, 2025 balance ($ 000s)	Net addition ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2026 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	46,680	-	(1,230)	45,450
Other deferred revenue	1,550	436	(427)	1,559
	48,230	436	(1,657)	47,009

British Columbia Ferry Services Inc. terminal lease:

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

15. Tangible capital assets:

BCTFA’s mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated for providing services to the general public by holding, improving or operating the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval. At each fiscal year-end, BCTFA reclassifies land that meets the criteria for properties held for sale in note 2(d) to other financial assets.

Tangible capital assets under lease:

Included in tangible capital assets are capital assets leased to TransLink. These capital assets under lease consist of land and interests in land, park and ride facilities, improvements such as stations and guideways, rolling stock, and other assets related to the Evergreen Line, Millennium Line, and Expo Line SkyTrain systems and to the West Coast Express. Leased assets are made available for TransLink's use for a nominal rent under various lease arrangements and licences. The Provincial Rapid Transit System Operating and Use Agreement expires in January 2040 and may be renewed, if mutually agreed, for successive five year terms as long as the assets remain a part of the Greater Vancouver regional transportation system. Leases and licences for the park and ride facilities expire in 2032. The net book value of these assets as at March 31, 2026 is $2,067 million (2025 - $2,116 million).

In 2020, the Province entered into an agreement with the City of Vancouver for rights to specific Vancouver lands during the construction and operation of the Broadway Subway at no cost to the Province. The land use rights represent the City of Vancouver's in-kind contribution to the project, but are not recognized in these financial statements. In accordance with PSAS, purchased intangible assets are recognized, and contributed intangible assets are not recognized.

15. Tangible capital assets: (continued)

Cost	April 1, 2025 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3]/ Disposal ($ 000s)	March 31, 2026 balance ($ 000s)
Highway infrastructure[1]	24,295,117	-	2,296,480	(10,228)	26,581,369
Transit infrastructure[2]	3,543,062	-	403	-	3,543,465
Ferry terminals and facilities	32,498	-	2,596	1,322	36,416
Vessels	94,375	-	1,986	(1,322)	95,039
Building and improvements	62,821	-	-	-	62,821
Land[3]	2,602,870	35,833	-	(2,081)	2,636,622
Capital projects in progress[4]	5,123,273	3,769,071	(2,301,465)	-	6,590,879
	35,754,016	3,804,904	-	(12,309)	39,546,611

Accumulated amortization	April 1, 2025 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Reclass/ Disposal ($ 000s)	March 31, 2026 balance ($ 000s)
Highway infrastructure[1]	(10,166,290)	(581,097)	-	6,639	(10,740,748)
Transit infrastructure[2]	(1,492,673)	(60,389)	-	-	(1,553,062)
Ferry terminals and facilities	(12,819)	(1,327)	-	(77)	(14,223)
Vessels	(44,677)	(2,826)	-	77	(47,426)
Building and improvements	(22,397)	(1,747)	-	-	(24,144)
	(11,738,856)	(647,386)	-	6,639	(12,379,603)

Net book value	April 1, 2025 balance ($ 000s)	March 31, 2026 balance ($ 000s)
Highway infrastructure[1]	14,128,827	15,840,621
Transit infrastructure[2]	2,050,389	1,990,403
Ferry terminals and facilities	19,679	22,193
Vessels	49,698	47,613
Building and improvements	40,424	38,677
Land[3]	2,602,870	2,636,622
Capital projects in progress[4]	5,123,273	6,590,879
	24,015,160	27,167,008

[1]Highway infrastructure includes, highways, roads, bridges, tunnels, culverts and other related assets.
[2]Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.
[3]Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.
[4]Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

15. Tangible capital assets: (continued)

Cost	April 1, 2024 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3]/ Disposal ($ 000s)	March 31, 2025 balance ($ 000s)
Highway infrastructure[1]	23,465,440	-	831,952	(2,275)	24,295,117
Transit infrastructure[2]	3,539,703	-	3,359	-	3,543,062
Ferry terminals and facilities	32,498	-	-	-	32,498
Vessels	94,375	-	-	-	94,375
Building and improvements	62,816	5	-	-	62,821
Land[3]	2,408,446	194,229	-	195	2,602,870
Capital projects in progress[4]	3,142,596	2,818,434	(835,311)	(2,446)	5,123,273
	32,745,874	3,012,668	-	(4,526)	35,754,016

Accumulated amortization	April 1, 2024 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Reclass/ Disposal ($ 000s)	March 31, 2025 balance ($ 000s)
Highway infrastructure[1]	(9,598,509)	(568,670)	-	889	(10,166,290)
Transit infrastructure[2]	(1,430,443)	(62,230)	-	-	(1,492,673)
Ferry terminals and facilities	(11,670)	(1,149)	-	-	(12,819)
Vessels	(41,803)	(2,874)	-	-	(44,677)
Building and improvements	(20,649)	(1,748)	-	-	(22,397)
	(11,103,074)	(636,671)	-	889	(11,738,856)

Net book value	April 1, 2024 balance ($ 000s)	March 31, 2025 balance ($ 000s)
Highway infrastructure[1]	13,866,931	14,128,827
Transit infrastructure[2]	2,109,260	2,050,389
Ferry terminals and facilities	20,828	19,679
Vessels	52,572	49,698
Building and improvements	42,167	40,424
Land[3]	2,408,446	2,602,870
Capital projects in progress[4]	3,142,596	5,123,273
	21,642,800	24,015,160

[1]Highway infrastructure includes, highways, roads, bridges, tunnels, culverts and other related assets.
[2]Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.
[3]Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.
[4]Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

16. Other non-financial assets:

Other non-financial assets are prepaid expenses.

17. Contractual rights:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues or assets in the future. As at March 31, 2026, BCTFA has the following rights which arise from cost-share agreements with federal and local governments and other partners for capital projects; and lease and rental agreements entered into for BCTFA's properties.

($ millions)	2027	2028	2029	2030	2031	Future Rights
Capital project cost-share agreements	695.2	327.9	125.2	10.5	-	-
Lease and rental agreements	4.5	4.0	1.9	1.1	0.7	24.6
	699.7	331.9	127.1	11.6	0.7	24.6

BCRC has contractual rights, estimated at $7 million per year until 2033, arising from a joint lease agreement for the use of railway assets.

18. Contractual obligations:

Information presented under public-private partnership (DBFO) projects are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are future financing and operating payments to P3 concessionaires. They are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements. Capital liabilities resulting from the public-private partnership contracts are disclosed in note 12.

BCTFA entered into design, build and finance contracts with private sector partners to deliver certain transportation infrastructure projects. The obligations are future progress payments for the construction of the project. The liability resulting from the private sector partners' financing is disclosed in note 11(b).

In fiscal year 2024/25, BCTFA entered into a land purchase agreement that is contingent on certain conditions to be met. As at March 31, 2026, these conditions have not yet been fulfilled, and the agreement remains outstanding.

Under the terms of the Provincial Funding Agreement for the Canada Line Rapid Transit Project, BCTFA is committed to contribute capital and operating funding for the construction and operations of the Canada Line. The obligations presented below include BCTFA's commitment to Canada Line operating payments. These payments are also contingent on specific performance criteria being met.

18. Contractual obligations: (continued)

($ millions)	Contract end date	2027	2028	2029	2030	2031	Beyond 2031
Public-private partnership project:							
Sea-to-Sky Highway Corridor (DBFO)	2030	38.8	36.8	35.3	82.7	-	-
Kicking Horse Canyon (DBFO)	2030	17.3	17.8	18.6	15.4	10.8	-
South Fraser Perimeter Road (DBFO)	2035	18.9	18.2	16.7	16.4	14.4	66.2
William R. Bennett Bridge (DBFO)	2035	15.3	14.8	16.8	16.3	15.6	50.1
Land purchase	2027	53.7	-	-	-	-	-
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	172.6
Design, build, and finance contracts		930.7	362.0	3.4	-	-	-
Other commitments		1,852.2	964.3	342.9	122.5	2.7	-
		2,946.2	1,433.2	453.0	272.6	62.8	288.9

19. Contingent assets:

TI Corp developed a Park & Ride Station known as the 202 Street Park & Ride Project. To develop the project, TI Corp entered into a Development Works Agreement (DWA) 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 benefiting parcels. Further, the Township is required to remit the specified charges collected from the benefiting parcels to TI Corp. Because there are set conditions required to collect the specified charges, the total amount to be received by TI Corp is considered conditional and unknown and, therefore, meets the definition of a contingent asset.

The contingent asset was transferred to BCTFA as part of a restructuring in fiscal year 2019/20. BCTFA received nil million (2025 - $0.4 million) under the DWA during the year.

20. Contingent liabilities:

The nature of BCTFA's activities is such that there is litigation pending or in progress at any time. Based on all currently available information, BCTFA recorded a provision for litigation where a reasonable estimate can be made, and it is probable that a settlement could be reached. The basis of the estimate comes from the advice of professional consultants and the entity's experience on similar circumstances.

BCTFA performs an annual assessment of all contingent liabilities and makes changes to the provision in the year the status or estimates change. As at March 31, 2026, BCTFA has unrecorded contingent liabilities of $109 million (2025 - $101 million) in which $54 million (2025 - $57 million) are related to property and contaminated sites claims.

21. Tax revenue:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 43 of the *Provincial Sales Tax Act*, BCTFA receives a car rental tax of $1.50 per car rental day.

22. Operating revenue:

Operating revenue consists of the following:

	2026 ($ 000s)	2025 ($ 000s)
Rental and leases	9,454	8,938
Miscellaneous revenue	6,925	14,233
Grants from the Province	4,033	4,622
Net revenue from property sales	134	272
	20,546	28,065

23. Operating expenses:

Operating expenses by group account classification:

	2026 ($ 000s)	2025 ($ 000s)
Amortization	647,386	636,671
Operating costs	220,558	162,641
Grants	159,868	127,590
Other program costs	93,719	117,439
Administrative expenses	10,842	10,744
Asset write-down or disposal	3,446	3,832
	1,135,819	1,058,917

24. Direct debt interest expense:

	2026 ($ 000s)	2025 ($ 000s)
Interest on debt and public-private partnership obligations	875,033	799,735
Interest capitalized	(154,534)	(85,700)
	720,499	714,035
Amortization of debt premium, discounts and issue costs	44,320	39,906
Realized foreign exchange losses	11,385	2,985
Realized (gains) losses on derivative instruments	(10,434)	870
	765,770	757,796

25. Budget:

The budget presented in these consolidated financial statements is based upon the operating and capital budget in the approved 2025/26 - 2027/28 Ministry of Transportation and Transit service plan and the province's budget and fiscal plan.

26. Risk management:

a) Interest rate risk:

BCTFA is exposed to changes in interest rates on its debt. To manage interest rate exposure, BCTFA may from time to time enter into interest rate swap contracts.

As at March 31, 2026, 11.65% (2025 - 13.39%) of BCTFA's debt borrowed from the province is variable-rate. A 0.25% change in interest rates will have an annual financial impact of $6.8 million (2025 - $7.1 million), net of all interest rate swap contracts, to BCTFA's future operating result and cash flow.

b) Foreign exchange risk:

BCTFA'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 mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not in the best financial interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into currency swaps to offset the currency risk.

As at March 31, 2026, BCTFA has $702 million US dollar debt (2025 - $669 million), 1,032 million Euro dollar debt (2025 - 1,100 million) and $148 million AUD dollar debt (2025 - $148 million) outstanding. The foreign exchange risk of these debt issues is fully offset by currency swaps.

26. Risk management: (continued)

c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. The Province only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

d) Liquidity risk:

Liquidity risk is the risk that BCTFA will encounter difficulty in meeting its financial obligations as they come due. BCTFA manages liquidity risk through effective financial and contract management.

Each year, BCTFA reviews its net cash requirement for operational activities and capital investments for the next three years and submits a long-term borrowing plan to Treasury Board for approval. As the fiscal agent of BCTFA, the Minister of Finance has provided BCTFA a pre-authorized short-term borrowing limit of which BCTFA can access short-term funds to meet liquidity needs within one day's notice.

27. Related party transactions:

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. BCTFA and the Ministry of Transportation and Transit (Ministry) signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.