TRANSPORTATION INVESTMENT CORPORATION ANNUAL REPORT 2011/2012

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MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present Transportation Investment Corporation's Annual Report for 2011/2012.

This last year was a significant one for Transportation Investment Corporation and the Port Mann / Highway 1 Improvement Project. Major progress was made and numerous milestones met in all sectors. Consistent with our objectives, construction is well advanced and the scheduled bridge opening date remains December 2012.

During 2011/2012, Transportation Investment Corporation achieved all its performance measures and service plan targets. Some notable outcomes from this past year include:

- Opening of all overpasses east of the Port Mann Bridge
- Significant completion of environmental enhancement projects
- Ongoing public consultation process
- Selection of the toll operator
- Effectively managing the complexities of the largest transportation infrastructure project in British Columbia

Budget management continued to be a key objective for Transportation Investment Corporation during the 2011/2012 year. The Port Mann / Highway 1 Project remains within its \$3.319 billion budget.

As in past years, the most significant risks faced during 2011/2012 were factors that could affect the construction schedule and projected bridge opening in December 2012. Transportation Investment Corporation has developed a robust schedule management framework to anticipate and mitigate any impacts of delays to the construction schedule and the transition to operations.

I want to thank the Board of Directors for their continued oversight as Transportation Investment Corporation prepares for the busiest year for the Port Mann / Highway 1 Improvement Project, which will include the opening of the Port Mann Bridge, commencement of tolling, launch of registration and continuing construction work. Transportation Investment Corporation remains strongly committed to achieving this progress while further reinforcing its role as a customer service driven organization.

Grant Main

Chair, Board of Directors

Accountability Statement

Transportation Investment Corporation's Annual Report for 2011/2012 has been prepared in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The information presented reflects the actual performance of Transportation Investment Corporation for the 12 months ended March 31, 2012. To present an even more comprehensive and up-to-date review, performance is also compared to measures included in the 2012/13 – 2014/15 Service Plan.

The board is accountable for the contents of the report, including the selection of performance measures and how results have been reported. The measures presented are consistent with Transportation Investment Corporation's goals, objectives, and focus on aspects critical to the organization's performance.

All significant assumptions, policy decisions, events and identified risks, as of March 31, 2012, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. The board is responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion.

Any changes in mandate direction, goals, strategies, measures of targets and any significant limitations in the reliability of data are identified in the report.

Grant Main

Chair, Board of Directors

MESSAGE FROM THE CEO

2011/2012 was a successful year for Transportation Investment Corporation and the Port Mann / Highway 1 Improvement Project. Consistent with our objectives, construction is well advanced. The opening for the new Port Mann Bridge is on target for December 2012.

The year was notable for the milestones met in a strict construction schedule, but also for an increasing shift in focus towards building an efficient, electronic tolling system that puts drivers, as customer, first.

The Port Mann / Highway 1 Project is the largest transportation infrastructure project in British Columbia's history, but Transportation Investment Corporation has not lost sight that we're building more than asphalt, steel and concrete. This is a project about faster commutes, the improved flow of goods, improved green transportation options, customer service, and at the end of the day, time savings for commuters and their families.

This past year saw a successful bid process through which we secured a tolling operator and continued development of a tolling framework that puts customers and commuters first. The consortium of Egis Projects / sanef was the successful proponent. They were selected not only for their experience providing tolling solutions in markets similar to British Columbia's lower mainland, but for also demonstrating best-in-class customer service.

Substantial construction is underway on customer service centres on both sides of the river. These will house customer call centres, data and server operations and a place for face-to-face interaction between customers and agents. By providing commuters with a wide variety of convenient payment methods and ways to contact us, tolling on the Port Mann Bridge is going to be easy, electronic and efficient.

This past year also saw the completion of our customer satisfaction survey, a measure of our community outreach program's effectiveness at maximizing predictability and minimizing disruption to the public during construction. Feedback showed more than 85% of respondents found our communication timely, relevant, informative and useful. That's a measure everyone at Transportation Investment Corporation is proud of and has worked hard to achieve.

As we enter our fourth full year of construction, I'm particularly excited to work with Transportation Investment Corporation's team and all our stakeholders as a new, faster Port Mann Bridge is introduced in the year ahead.

Mike Proudfoot

CEO, Transportation Investment Corporation

ORGANIZATIONAL OVERVIEW

Mandate and Enabling Legislation

Transportation Investment Corporation is established under the *Transportation Investment Act*. The corporation's primary mandate as part of the Province's Gateway Program is to manage and ensure successful delivery and implementation of the Port Mann / Highway1 Improvement Project. Transportation Investment Corporation is also mandated to recover the capital costs of the project as well as operating and maintenance costs of the bridge and highway through tolling.

Corporate Profile

Transportation Investment Corporation's mandate includes managing construction of the project, implementing and operating the tolling system and ensuring the delivery of travel time and fuel savings for the travelling public and the movement of goods and services.

The Port Mann / Highway 1 Improvement Project includes construction of a new 10-lane Port Mann Bridge, widening the highway, upgrading interchanges, extending high occupancy vehicle lanes and improving access and safety on Highway 1. The project spans a distance of approximately 37 kilometers from the McGill Street Interchange in Vancouver to 216 Street in Langley.

The Port Mann Bridge and Highway 1 comprise Metro Vancouver's primary goods movement and commuting corridor, traversing six municipalities with key connections to the region's 14 other communities. The Port Mann / Highway 1 Improvement Project was established in 2003 as part of the Provincial Gateway Program to address the problem of growing regional congestion and to improve the movement of people, goods and transit. Combined with other road, bridge and transit improvements planned or underway, this project will help create an effective transportation network within Metro Vancouver.

Our Vision

To develop and implement self-sustaining infrastructure projects for the benefit of British Columbians.

Our Values

The corporation values the diversity of its employees and will strive to deliver projects in a manner that is respectful to residents, businesses, all levels of government and the environment while ensuring safe and efficient movement of people and goods.

Core Business Areas

Transportation Investment Corporation is a Crown corporation tasked with the delivery of the Port Mann / Highway 1 Improvement Project, British Columbia's largest transportation infrastructure project and a key component of the Province's Gateway Program. Transportation Investment Corporation manages all components of Port Mann Highway 1 project delivery, including design, construction, financing and operations as well as oversight of the project contractor.

The Port Mann Bridge is a major crossing over the Fraser River forming part of Highway 1 between Coquitlam and Surrey. The new 10-lane Port Mann Bridge, expanded high occupancy vehicle (HOV) network, transit priority facilities, and widened Highway 1 will help cut round-trip travel times in this corridor by up to 30 per cent, and will allow public transit over the crossing for the first time in over 20 years.

The goals of the Port Mann / Highway 1 Improvement Project are to:

- Reduce congestion and travel times
- Improve safety and accessibility
- Facilitate expanded public transit service
- Expand the transportation network to better accommodate high occupancy vehicles (HOV), cyclists and pedestrians

The Gateway Program was established as part of a broader response by the Province of British Columbia to reduce congestion, improve the movement of people and goods, and improve safety and reliability on key highway corridors. The Gateway Program improvements will complement other regional road and transit improvements currently planned or under construction.

The Port Mann / Highway 1 Improvement Project includes construction of a new Port Mann Bridge, widening the highway, upgrading interchanges and improving access and safety on Highway 1. The project spans a distance of approximately 37 kilometres from the McGill Street Interchange in Vancouver to 216 Street in Langley. Taken together, these improvements will help create a comprehensive and effective transportation network for Greater Vancouver, which will improve the movement of people and goods, facilitating economic growth, increased transportation choices and improved connectivity to areas designated for population growth.

The Port Mann / Highway 1 Improvement Project will use an open road tolling system, which is a free-flowing, safer and more efficient method of tolling than traditional toll booths. This fully electronic tolling system means that exhaust emissions from idling cars at toll booths are eliminated and bridge users do not need to worry about having exact change or facing delays. Instead, modern electronic tags and video capture technology will be used to identify vehicles as they pass under the toll point. Bridge users may choose to pay before or after travel using a variety of payment methods, including web-based payments, by phone, by mail or in person at self-serve kiosks or tolling customer service centres.

The toll system and framework are based on the principles of ease of use, superior customer service, convenience and fairness. In addition to providing the revenue necessary for repayment of the project debt, tolls will help encourage the use of congestion-reduction measures, such as public transit, and discounts will be used to promote carpooling and off-peak commercial travel, helping to moderate traffic growth and extend the life of the new bridge.

The Port Mann / Highway 1 corridor is the busiest and most economically critical route in Greater Vancouver. Built in the early 1960s when the population of Metro Vancouver was 800,000, it now serves as the most important east-west corridor to the region's 2.2 million people. Traffic has increased to the point where the bridge is congested in both directions for more than 13 hours per day.

Key Benefits

The new Port Mann Bridge and all associated Highway 1 improvements will make for a faster and more efficient commute, and will provide many associated economic, environmental and social benefits.

A faster, more efficient commute

The new Port Mann Bridge and its associated Highway 1 improvements are going to create an entirely new and improved commute. Safer, faster and more fuel efficient, the flow of goods important to our economy will be enhanced and commuters will spend less time on the road and more time with families or customers.

In addition to a new bridge, the Port Mann / Highway 1 Improvement Project includes 37 kilometres of highway widening from Vancouver to Langley and includes rebuilding seven highway overpasses and nine highway interchanges.

Dedicated HOV lanes are being extended to Langley, ensuring car pools and transit users benefit proportionally from fuel and time savings.

Newly designed interchanges and overpasses will allow for safe, fast and efficient merging onto Highway 1, preventing congestion at exits and off ramps.

The new interchanges will also make travel within municipalities safer and faster. Improving the efficiency of regional corridors will reduce highway queuing that spills into municipal streets, improve cross-highway connectivity within communities and maintain local streets for local use.

Superior customer service

Tolling on the new Port Mann Bridge will be easy, electronic and efficient and based on principles of superior customer service, ease of use and fairness. The final toll framework is being finalized and scheduled to be released in summer 2012.

The Port Mann Bridge will use open road tolling, a safer and more efficient method of tolling than traditional toll booths. This fully electronic tolling means that exhaust emissions from idling cars at toll booths are eliminated and bridge users don't need to worry about exact change or delays. Modern, electronic decals and video capture technology will be used to identify vehicles as they pass under the toll point.

In keeping with our principles of superior customer service, bridge users may choose to pay before or after travel using a variety of payment methods, including online, by phone, by mail or in person at self-serve kiosks or tolling customer service centres.

Improved transit options

The new Port Mann Bridge will facilitate transit and carpooling as well as expanded options for cyclists and pedestrians.

Dedicated transit and HOV on ramps and off ramps will allow the new Port Mann Bridge to accommodate fast and efficient bus service. Transit service connecting Coquitlam/Burnaby at the Lougheed Highway SkyTrain Station to Langley at 202 Street will take about 25 minutes.

The construction of convenient Park & Ride areas at 202 Street in Langley and 160 Street in Surrey will give commuters more opportunities to take advantage of HOV lanes and their associated toll discounts.

Cycling and pedestrian measures will be incorporated into all new interchange and overpass structures where they connect to existing or planned community networks. Once complete, the Port Mann Bridge will include a pedestrian and cyclist pathway.

Environmental and habitat rehabilitation projects

The Port Mann / Highway 1 Project includes important environmental and habitat work on-and off-corridor to deliver the project to the highest environmental standards. These environmental projects address four key objectives: enhancement, compensation, construction timing and protection/restoration.

All work is done in accordance with strict environmental requirements, including measures to protect fish, wildlife and their habitats. Fish and wildlife habitat work for the Port Mann / Highway 1 Project is being carried out on a larger scale than any previous environmental projects undertaken by the Ministry of Transportation and Infrastructure. Environmental work started in 2009 will continue through 2012.

Key fish habitat enhancement work has been undertaken at sites including Brunette River (upper and south), Burnaby Lakes, Cedar Creek, Deer Lake Brook, Como Creek Tributary, Popeye Creek and Wilson Farm, a part of Colony Farm Regional Park.

Habitat enhancement work includes improving channels and waterways for fish and wildlife, planting vegetation, adding large, woody debris to ecosystems and creating wildlife passages to facilitate movement between habitats.

Partners, Clients and Stakeholders

A key function of Transportation Investment Corporation until substantial completion of the Port Mann / Highway 1 Improvement Project is the ongoing management and oversight of the design-build contractor, ensuring that construction proceeds on budget and on time with minimal disruption to road and bridge users.

Our key partners include:

- Ministry of Transportation and Infrastructure / BC Transportation Financing Authority
- Municipalities adjacent to the corridor
- Kiewit/Flatiron General Partnership
- Operations & Maintenance, Tolling and other contractors

Key stakeholders and clients include those who are providing advice and input and who will benefit from the project improvements:

- RCMP and other first responders
- Commuters and businesses
- Commercial trucking, service companies and drivers
- The travelling public
- Businesses and residents located adjacent to the project corridor

Additional information about the Gateway Program, the Port Mann / Highway 1 Improvement Project and Transportation Investment Corporation can be accessed at the following website links:

http://www.gatewayprogram.bc.ca http://www.pmh1project.com

Service Delivery

Until the opening of the Port Mann Bridge in December 2012, Transportation Investment Corporation's primary service is the management of construction, meeting project milestones and preparation for the commencement of tolling operations. A proactive and comprehensive community outreach program is built into the construction schedule to maximize predictability and minimize disruption to the public.

Transportation Investment Corporation communicates with the public, key stakeholders and audiences impacted by construction through the use of communication tools which include bulletins, e-mails, social media, websites, phone calls and in-person meetings.

Transportation Investment Corporation locations

Transportation Investment Corporation operates from two key locations with project personnel in the field daily along the 37 kilometers of highway improvements. Key locations include:

Corporate Head Office: Suite 1420 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3

Project Office: Suite 40 – 145 Schoolhouse Street, Coquitlam, B.C. V3K 4X8

During the 2012-13 service planning period, Transportation Investment Corporation's head office will move to Coquitlam where it will be co-located with the primary customer service centre for toll operations as well as the Ministry of Transportation and Infrastructure's Regional Transportation Management Centre. The primary service centre will provide front line customer service for the public and customers with account inquiries.

CORPORATE GOVERNANCE

By legislation, Transportation Investment Corporation is governed by a Board of Directors consisting of no more than seven members appointed by the Lieutenant Governor in Council. The Board of Directors, through the Chair, report to the Minister of Transportation and Infrastructure (designated as the Minister Responsible for Transportation Investment Corporation) and is responsible for overseeing the conduct of business, directing management and ensuring that all major issues affecting Transportation Investment Corporation's affairs are given appropriate consideration.

The Board of Directors adheres to the following Corporate governance principles, which are set in accordance with Part 2 "Best Practices Guidelines: Governance" of the Province's Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organization:

- Act in the best interests of the Corporation;
- Develop, maintain and adhere to terms of reference for the Board, Chair, Directors and Committees;
- Endorse the Service Plan and monitor performance;
- Follow the board-approved Transportation Investment Corporation Governance Guidelines

As a Crown agency, Transportation Investment Corporation operates under an annual Letter of Expectations that outlines both the corporation's as well as the Government's responsibilities and is jointly signed by the Minister of Transportation and Infrastructure and the Chair of Transportation Investment Corporation.

Transportation Investment Corporation's Board of Directors continues the work of refining Board governance policies and procedures in compliance with the Board Resourcing and Development Office (BRDO) corporate governance guidelines. More information on those guidelines as well as the BRDO can be found at: http://www.fin.gov.bc.ca/brdo/

The Board of Directors currently consists of:

- Chair Grant Main Deputy Minister, Ministry of Transportation and Infrastructure
- Member Larry Blain Chair, Partnerships British Columbia
- Member Don Fairbairn, President, DCF Consulting Ltd

Board member profiles can be found online at:

http://www.fin.gov.bc.ca/BRDO/boardView.asp?boardNum=215107

Board remuneration is posted online at:

http://www.pmh1project.com/TI%20Corp/TI%20Corp%20Director%20Remuneration%202011-12.pdf

As a public crown corporation and part of the Provincial Government's Public Sector Employer's Council (PSEC), Transportation Investment Corporation operates under PSEC's best practices for transparent and full disclosure of public sector executive compensation.

Committees

In January 2012, the Board instituted an Operations Committee of the Board. Members are:

- Don Fairbairn, Chair
- Larry Blain, Member
- Mike Proudfoot, Ex-officio Member

Officers

- Chief Executive Officer Mike Proudfoot
- Vice President Technical Services Garry Dawson
- Chief Financial Officer Janet Woodruff

YEAR IN REVIEW

Significant Construction Milestones

April 2011

- South pylon concrete pour complete and start of bridge deck structural steel installation
- Girders installed for Lougheed Highway westbound to Highway 1 eastbound ramp
- Noise wall at 152 Street (south of Highway 1) complete
- Started overhang demolition work at North Road overpass

May 2011

- Transportation and installation of pre-made deck segments for the main span of the new Port Mann Bridge starts
- Environmental enhancement work starts in Burnaby Lake tributaries
- Deer Lake Brook habitat enhancement work complete
- Approach slabs and parapets poured for Boundary Road overpasses

June 2011

- All girders and deck panels in place in new 152 Street overpass
- 160 Street overpass deck pours complete
- Barnston overpass west wall nearing completion

July 2011

• Telus and BC Hydro utilities relocation at Fawcett and United Boulevard complete

August 2011

- 176 Street overpass girder installation complete
- Invasive species management underway at Deer Lake Brook and Gaglardi Way in Burnaby and Como Creek in Coquitlam





September 2011

- All key utility relocations within the Cape Horn Interchange nearing completion
- Erosion and sediment controls installed at Hjorth Creek, a Serpentine River tributary, near the 160 Street interchange and along the Fraser Heights Connector in Surrey
- Helicopter seeding takes place at Wilson Farm habitat enhancement site
- Launch of Port Mann / Highway 1 Project social media channels, including Twitter, YouTube and Flickr



- Boundary Road eastbound overpass demolition complete
- Phase 1 of Willingdon Avenue bridge complete and preparation for approach construction underway



- New Kensington overpass complete and ready for paving
- New King Edward overpass completed and opened to traffic ahead of schedule
- Construction of noise wall at Highway 1/176 Street complete
- Completed customer satisfaction survey; 80-90% satisfaction ratings in all major categories

December 2011

- Tolling gantry installation complete
- Deck for 1st Avenue overpass poured
- Excavation for the United Boulevard truck ramp tunnel completed
- New Port Mann / Highway 1
 Improvement Project website
 launched (www.pmh1project.com)
- Eastbound deck extension on North Road overpass poured





January 2012

- Old CP Rail structure at Cape Horn demolished
- Significant stakeholder engagement continues through social media program

February 2012

- CP Rail track relocation at Cape Horn Interchange complete
- Highway 1 eastbound in the King Edward Street area complete and open to traffic on its final alignment

March 2012

- The new Barnston Drive overpass in Surrey opens to traffic
- All new overpasses East of the Port Mann bridge open to traffic

Significant Tolling Milestones

2011/2012 saw several major steps forward in the development of a comprehensive open road tolling system for the new Port Mann Bridge.

Of particular importance, Transportation Investment Corporation completed a competitive selection process to secure a tolling operator that can deliver the convenience and features customers will need, while providing value for money. The consortium of Egis Projects / sanef was the successful proponent.

Selecting Egis Projects / sanef allowed Transportation Investment Corporation to move forward with a tolling system that will be informed by best practices and successful implementation experiences of similar tolling systems around the world.

In December 2011, a team from Transportation Investment Corporation travelled to France to witness roadside factory acceptance testing of a tolling system developed specifically for the Port Mann /

Highway 1 Project. The system, developed by CS Systemes D'Information S.A. of France, proved reliable, accurate and met all the requirements of Transportation Investment Corporation.

Other significant steps in implementing an easy, electronic and efficient tolling system include construction completion of the tolling gantry at the south approach to the Port Mann Bridge, well advanced construction of customer service centres on





both sides of the bridge, and in-place agreements with many necessary partners and financial service providers.

Community Relations Milestones

Community outreach and stakeholder relations continued to be priorities for Transportation Investment Corporation in 2011/2012. The Community Relations team worked with the construction schedule to maximize predictability and minimize disruption to the public.



This past year also saw the completion of Transportation Investment Corporation's customer satisfaction survey, a measure of community outreach program effectiveness. Feedback showed more than 85% of respondents found communications timely, relevant, informative and useful.

This last year, two local area consultations were held with residents from Douglas Road, Sprott Street and Government Street in Burnaby to discuss noise mitigation and planned improvements in their neighbourhoods.

Project Team members attended and interacted with stakeholders and residents at a number of community events, including:

- Ridge Meadows Home Show May 2011
- Blue Mountain Music Festival July 2011
- Burnaby North Community Fair August 2011

In September 2011, the Port Mann / Highway 1 Project launched a community outreach initiative using social media channels. Engaging with neighbours and stakeholders through these new media became an effective way to maximize predictability and minimize disruption to the public during construction.



Environmental Milestones

2011/2012 was a significant year for habitat enhancement and environmental work on the Port Mann / Highway 1 Improvement Project. Transportation Investment Corporation continued its ongoing environmental oversight to deliver the project to the highest environmental standards. Work included environmental audits, site assessments and completing the environmental assessment for the upcoming dismantling of the original Port Mann Bridge.

Transportation Investment Corporation oversight assured that all project construction work was done in accordance with strict environmental requirements, including measures to protect fish, wildlife and avoid or mitigate disruption to their habitat.

In addition to constant and ongoing independent environmental monitoring of all construction work, Transportation Investment Corporation achieved substantial completion on some of the project's largest fish and wildlife habitat enhancement initiatives in 2011/2012.

Creating salmon habitat at Wilson Farm in Colony Farm Regional Park

After a century-long absence, Transportation Investment Corporation helped return salmon to a valuable Coquitlam River estuary.

Thanks to a successful collaboration with Metro Vancouver and Kwikwetlem First Nation, tidal flow was returned to the Wilson Farm area of Colony Regional Park, creating valuable salmon-rearing habitat near the mouth of the Coquitlam River. The area had been diked for farming in the early 1900s, preventing any access for salmon.

A tide-activated gate was installed in the dike to regulate flow in and out of the area while preventing field flooding. More than 4,000 linear metres of drainage channels were enhanced to support salmon and an abundance of avian and riparian wildlife. Fish-friendly upgrades to the Wilson Farm pump station

will improve connections for fish to the Coquitlam River. The project integrates with and enhances existing wildlife features in the park.

Construction was undertaken in partnership with Kwikwetlem and Musqueam First Nations and was completed in November 2011.

By the time this report was written in April 2012, four species of Pacific salmon had returned to rear in the Wilson Farm channels, underlining the success of this habitat enhancement project.



Brunette River habitat enhancement

Transportation Investment Corporation conducted ongoing enhancement work along the Brunette River in 2011/2012. Completed work includes creation of a perched pond of the main stem of the river. That pond became populated by young salmon over the winter of 2011.

Other habitat enhancement projects

A number of existing highway culverts were replaced or upgraded to maintain or improve fish and wildlife passage across the highway.

Fish and wildlife enhancement works were also completed at Deer Lake Brook near the Kensington Interchange in Burnaby and at Como Creek west of the Coleman on-ramp in Coquitlam. Young coho salmon are using completed off-channel habitat at Mundy Creek in Coquitlam.

Work continues at habitat enhancement sites at the Willingdon Interchange in Burnaby, the Burnaby Lake Tributaries along Highway 1 between the Kensington and Gaglardi Interchanges and at Buena Vista Creek, near the Gaglardi Interchange in Burnaby.

REPORT ON PERFORMANCE

Transportation Investment Corporation continues to assess and refine its corporate goals to reflect the progress of the Port Mann / Highway 1 Improvement Project.

At inception, Transportation Investment Corporation's goals were predominantly focused on adhering to the project construction schedule and budget while minimizing disruption and maximizing predictability for residents and highway users during construction.

As project progress advances, Transportation Investment Corporation has broadened its focus to include the planning and implementation of a tolling system that is convenient, fair, easy to use, and provides superior customer service.

As Transportation Investment Corporation moves from construction to operations, this process will continue and organizational objectives will be developed based on best practices used by similar tolled bridges and roadways.

Providing a tolling system that is equitable, delivers convenience, value for money and the features customers will need is of utmost importance to Transportation Investment Corporation. Delivering that system and all associated infrastructure upgrades on time and on budget while providing superior customer service is of equal importance.

As it did in 2011/2012, Transportation Investment Corporation continues to have adequate capacity to stay within budget and on schedule for its goals and targets for the implementation of the Port Mann / Highway 1 Improvement Project.

Since previous service plans, Transportation Investment Corporation has added specific strategies and performance measures more reflective of the organization's mandate and that provide a more appropriate measure of performance of organizational goals; the on-time and on-budget delivery of the Port Mann / Highway 1 Improvement Project; the provision of superior customer service; and the implementation of an open road tolling system. Transportation Investment Corporation has been working with a refined set of goals with more accurate performance measures for the 2011/2012 year.

| 2011/12 – 2013/14 Service Plan Goals | 2012/13 – 2014/15 Service Plan Goals |
|---|---|
| | |
| Goal: Effectively manage the Design/Build Contract by ensuring strict adherence to all terms of the agreement to ensure that project costs and | Goal: Deliver the Port Mann / Highway 1 Project on time. |
| timetable are met. | Performance Measure: To achieve this goal, Transportation Investment Corporation has set |
| Performance Measure: Achieve percentage of completion targets for bridge completion. | specific completion targets by fiscal year and measures progress against these targets. |
| Goal: Effectively manage both the capital and operating budgets to ensure the efficiency, effectiveness and economy of operations. | Goal: Deliver the Port Mann / Highway 1 Project on budget. |
| , | Performance Measures: |
| Performance Measure: Remain within the approved net loss projections. | Remain within the approved Capital Budget. |
| | 2. Restrict percentage of annual corporate |
| Performance Measure: Restrict annual corporate | overhead expenses to 1% of total annual |
| overhead expenses to 1% of construction costs. | project expenditures. |
| Goal: Minimize traffic disruptions and mitigate | Goal: Provide superior customer service (and |
| safety risks during the construction phases of the project. | maximize predictability and minimize disruption). |
| | Performance Measure: To measure the |
| Performance Measure: Not defined. | effectiveness of the Port Mann / Highway 1 |
| | Project's efforts to maximize predictability and |
| | minimize disruption, the annual Transportation |
| | Investment Corporation customer service survey, |
| | conducted in the fall, measured resident and driver |
| | satisfaction with construction updates issued by |
| | the project. |
| Goal: Implement an open road tolling system based on the principles of ease of use, superior customer service, convenience and fairness that | Goal: Develop a comprehensive open road tolling system. |
| ensures accuracy and completeness of tolling revenue receipt. | Performance Measure: To ensure the tolling system is ready for toll commencement in |
| · | December 2012, Transportation Investment |
| Performance Measure: Not defined. | Corporation has established a schedule |
| | management process, identifying specific target dates for implementation of key tolling infrastructure. |
| | |

Goals, Strategies, Performance Measures and Targets

Goal 1: Deliver the Port Mann / Highway 1 Project on time

Strategy

- A key function of Transportation Investment Corporation is the ongoing management and oversight of the design-build contractor and their activities, ensuring construction proceeds according to schedule.
- A design-build agreement has been signed between Transportation Investment Corporation and the Kiewit/Flatiron General Partnership. Under this structure, the contractor is required to meet specific dates for the delivery of specific elements of the project.

Performance measure

• To achieve these goals, Transportation Investment Corporation has set specific completion targets by fiscal year and measures progress against these targets.

| Performance | 2009/10 | 2010/11 | 2011/12 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Measures | Actual | Actual | Actual | Target | Target | Target | Target |
| Achieve percentage of completion target for total design & build construction ¹ | 33.7% | 56.6% | 76.9% | 77% | 95% | 99% | 100% |

Performance management

The design-build contractor reports regularly to Transportation Investment Corporation on project progress and the percentage of completion is derived from an estimate of the progress of the particular segments of the project using verified progress billings.

Goal 2: Deliver the Port Mann / Highway 1 Project on budget

Strategy

alegy

 The design-build agreement structure places responsibility for construction-related cost overruns with the contractor for those activities under its direct control.

• To limit costs for non-construction related items (administration and overhead) Transportation Investment Corporation limits overhead expenses to 1% of total annual project expenditures.

¹ Denotes targets from 2012/2013 – 2014/2015 Service Plan.

 Transportation Investment Corporation's project management processes monitor all streams of activity – construction, operations and maintenance and tolling operations - to ensure consistency between actual costs and budget allocations.

| Performance Measures (\$Millions) | 2009/10 Actual | 2010/11 Actual | 2011/12 Actual | 2011/12 Target | 2012/13 Target | 2013/14 Target | 2014/15 Target |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Remain within the approved Capital Budget | 987² | 1,729 ³ | 2,457 | 2,473 | 3,063 | 3,157 | 3,319 |
| Restrict percentage of annual corporate overhead expenses ⁴ to 1% of total annual project expenditures ⁵ | 0.2% | 0.3% | 0.4% | 1% | 1% | TBD | TBD |

Performance management

The data used to measure financial performance is contained in Transportation Investment Corporation's annual financial statements, which are subject to an annual independent audit. Transportation Investment Corporation has received an unqualified audit each year it has been in operation.

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² Restated to adjust for the accounting treatment of the debt placement costs. Previous actuals were \$992.

³ Restated to adjust for the accounting treatment of the debt placement costs. Previous actuals were \$1,730.

⁴ Corporate overhead expenses consist of salaries and administration costs including office overhead.

⁵ The performance measure will be adjusted in 2013/14 to reflect declining expenditures as construction is reduced. A new performance measure as a percentage of revenue will be developed.

Goal 3: Provide superior customer service

Strategy

- In order to minimize disruption and maximize predictability the Port Mann / Highway 1 team continues to communicate with key stakeholders and audiences impacted through the use of communication tools which include bulletins, e-mails, social media, website and phone calls.
- During the construction phase of the project, the Port Mann / Highway 1 Project team continues to respond to all public enquiries within 48 hours which includes providing a response, information or the service requested.
- Transportation Investment Corporation will develop a tolling framework based on industry best practices with an emphasis on convenience, fairness, ease of use and superior customer service.

Performance measure

To measure the effectiveness of the Port Mann / Highway 1 Project's efforts to maximize
predictability and minimize disruption, the annual Transportation Investment Corporation
customer service survey, conducted in the fall, measured resident and driver satisfaction with
construction updates issued by the project.

| For trip planning purposes: | New Measure | Result (Fall 2011) | Target (2012/13) | Target (2013/14) ⁶ | Target (2014/15) |
|--|----------------|-----------------------|---------------------|-------------------------------|------------------|
| Residents and highway users feel they receive project updates often enough | New Measure | 90% | 85-90% | (TBD) | (TBD) |
| Residents and highway users feel the information included project updates is relevant and useful | New Measure | 89% | 85-90% | (TBD) | (TBD) |
| Residents and highway users feel the project updates contain enough detail to properly plan travel | New Measure | 87% | 85-90% | (TBD) | (TBD) |
| Residents and highway users are satisfied with the overall quality of project updates | New Measure | 88% | 85-90% | (TBD) | (TBD) |

⁶ Transportation Investment Corporation's customer satisfaction survey will be adjusted in the 2013/14 fiscal year to reflect the commencement of tolling operations and reduced construction activity. New baseline targets for the survey will be developed during the 2012/13 fiscal year and will be published in the 2013/14 service plan.

Performance management

The performance measures are derived from an annual customer satisfaction survey conducted by Transportation Investment Corporation. All email subscribers of the Project's construction bulletins are invited to participate as well as visitors to the Project website. The survey results have a margin of error of +/- 4%, 19 times out of 20.

Goal 4: Develop a comprehensive open road tolling system

Strategy

- Transportation Investment Corporation has partnered with C-S Intelligent Transportation Systems BC. Inc. (CS), a wholly owned subsidiary of CS Systemes D'Information S.A. of France, as the electronic tolling systems provider for the project.
- Transportation Investment Corporation completed a competitive selection process to secure a
 tolling operator that can deliver the convenience and features customers will need, while
 providing value for money. The consortium of Egis Projects / sanef was the successful
 proponent.
- The development of the Port Mann / Highway 1 tolling system is informed by best practices and successful implementation experiences of similar tolling systems around the world.

Performance measure

 To ensure the tolling system is ready for toll commencement in December 2012, Transportation Investment Corporation has established a schedule management process, identifying specific target dates for implementation of key tolling infrastructure.

| Deliverable | Target Date | Status |
|---|----------------|-------------|
| Tolling Operator selected | February 2012 | Achieved |
| Primary customer service centre ready for occupancy | June 2012 | On schedule |
| System testing | August 2012 | On schedule |
| Surrey customer service centre ready for occupancy | September 2012 | On schedule |
| New Port Mann Bridge opens to traffic | December 2012 | On schedule |

Performance management

All items required for implementation of the toll system are tracked using a comprehensive internal scheduling process that tracks key items as well as interdependencies. This schedule management

process is complemented by rigorous contract management to ensure third party contractors are meeting required timelines for system integration.

Internal and External Business Environment

Fiscal 2013 is a critical year for Transportation Investment Corporation given the transition from its construction focus to becoming a tolling business with significant commitments to the public for reliable bridge and highway access. The priorities for Transportation Investment Corporation over the next fiscal year are the continued safe and efficient delivery of the construction phase of the Port Mann / Highway 1 Improvement Project, the implementation of a tolling system based on the principles of convenience, fairness, ease of use and superior customer service, and the opening of eight lanes of the Port Mann Bridge.

The key strategic issues and related risks for Transportation Investment Corporation are those that could impact the above priorities and include:

- Meeting the construction schedule and budget
- Toll commencement
- Operational readiness
- Reliability of road operations

Risks

Transportation Investment Corporation has introduced a risk management program which more formally requires the identification, monitoring and mitigation of risks throughout the Corporation. Key risk management processes that have been adopted include:

- Identification of risks at both a project and corporate level
- Pro-active risk mitigation and clear accountability
- Centralized tracking and updating
- Regular management and Board review
- Timely communication of risks throughout the organization

Current identified issues/risks and plans to address those risks are as follows:

| Key Strategic Issue | Status and Potential Impacts | Risk Mitigation |
|--------------------------|---|---|
| Project cost escalation: | | |
| Long-term debt costs | Long-term interest rate increases have been mitigated through a hedging strategy. | Risks associated with interest rate fluctuations over the course of the project, including during 2011/2012, are mitigated through the use of a long-term hedging strategy. |

| | T . | |
|---|--|--|
| Schedule and cost | The project is currently on budget and on schedule. | Transportation Investment Corporation entered into a design- build agreement with the contractor, allocating the majority of risk associated with cost escalation and schedule delays to the design- build contractor. |
| Delays on tolling start-up: | | |
| Toll mechanisms complete | A tolling operator has been selected through a competitive bid selection process. | Detailed tolling schedule developed. Tolling system contract includes key deliverables linked to payment milestones. |
| • Construction schedule | Construction on schedule for bridge opening in December 2012 | Ongoing monitoring of construction progress to achieve schedule certainty. |
| Tolling operations building available | Substantial construction underway. Building will be ready for possession in June 2012. | Constructor required to meet specific milestone dates included in contract. |
| Public support: | | |
| Noise, property and project status questions and concerns | Project web site and 24/7 staffed information line has been in effect since July 2009 | Continued commitment to proactive communication regarding project activities. All enquiries responded to within 48 hours. |
| Awareness and understanding of tolling requirements and process | Tolling operator secured and contracted. Tolling framework development nearing completion. | Implement an effective toll customer service and information program in advance of tolling commencement. |

The risk mitigation steps outlined above minimized the potential impacts of these risks to Transportation Investment Corporation. The identified risks had no significant impact on results for 2011/2012.

PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

The Shareholder's Letter of Expectations (now known as the "Government's Letter of Expectations") between the shareholder (the Government of British Columbia) and Transportation Investment Corporation, is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the shareholder and the Corporation on corporate mandate including high-level performance expectations, public policy issues, and strategic priorities.

| GLE Direction | Transportation Investment Corporation Alignment | | | |
|---|--|--|--|--|
| Manage and ensure the delivery and implementation of the Design-Build work including the design and construction of the concession highway, all in accordance with the terms of the design build agreement dated as of March 17, 2009 signed between Transportation Investment Corporation and Kiewit/Flatiron General partnership, the Contractor. | Transportation Investment Corporation continues to manage and ensure the quality of work done by the design build contractor. During the 2011/2012 construction season an estimated 2 million hours of construction work took place on the PMH1 Project, compared to 1.2 million during 2010. Target date for start of bridge operations is December 2012. | | | |
| Establishment of a tolling system and toll collections at the Port Mann Bridge, consistent with the provisions of the Port Mann / Highway 1 Bridge Concession Agreement dated as of March 10, 2010 signed between the Province, BC Transportation Financing Authority and Transportation Investment Corporation, and any modifications to this agreement. | A service provider to supply and deliver a tolling system for the Port Mann Bridge was engaged in March 2010. A procurement to engage a toll operation service provider concluded in February 2012. The consortium of Egis Projects / sanef was selected. The target date for implementation of the tolling system and associated operations is December 2012. | | | |

Fulfill any other obligations consistent with the provisions of the concession agreement.

Transportation Investment Corporation remained in alignment with the provisions of the concession agreement.

Key obligations include ensuring prudent management of capital and operating plans and to have Transportation Investment Corporation in a positive net income position by 2017/2018.

Action Taken on Climate Change

Transportation Investment Corporation is playing an active role in the Province's climate change goals. The Port Mann / Highway 1 Improvement Project will reduce greenhouse gases associated with congestion-induced idling and traffic delays, as well as by making public transit across the Port Mann Bridge possible for the first time in more than twenty years.

The construction of convenient Park & Ride areas at 202 Street in Langley and 160 Street in Surrey will give commuters more opportunities to take advantage of HOV lanes, their associated toll discounts and greenhouse gas reductions.

Cycling and pedestrian measures will be incorporated into all new interchange and overpass structures where they connect to existing or planned infrastructure. Once complete, the Port Mann Bridge will include a pedestrian and cyclist pathway.

On a corporate level, Transportation Investment Corporation understands the importance of mitigating its carbon footprint and complying with the province's Climate Action targets. A Climate Action Team was established in 2010 to support the targets established by the Climate Neutral Action Reporting initiative. The team helps reduce carbon emissions on an office level by encouraging green purchasing decisions, conservation of electricity, electronic records management systems, recycling and more.

FINANCIAL REPORT

Management Discussion and Analysis

Management's discussion and analysis of the financial results from operations and financial position for the year ended March 31, 2012 should be read in conjunction with the audited financial statements and accompanying notes.

The financial statements and results presented have been prepared according to International Financial Reporting Standards (IFRS), as required by the International Accounting Standards Board. IFRS are issued by the International Accounting Standards Board. The audited annual financial statements included with this annual report are Transportation Investment Corporation's first financial statements issued under IFRS. In prior years, the Corporation's financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

Management has included some forward-looking statements based on information currently available. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ from those forward-looking statements.

Overview

During the fiscal year ended March 31, 2012, Transportation Investment Corporation's activities were focused on the construction of the Port Mann / Highway 1 infrastructure, the acquisition and installation of its tolling systems, the procurement of the tolling operator and the ongoing activities of the road and bridge maintenance contractor.

Construction of the Port Mann/Highway 1 infrastructure is proceeding to schedule. Estimated completion under the design-build agreement was 77% at the end of March 2012.

Transportation Investment Corporation signed an agreement with the selected tolling operator in fiscal 2012 for seven years, with the option for two two-year extensions.

At the end of the fiscal year, Transportation Investment Corporation's shareholder's equity (including retained earnings) was in a deficit position of \$154.36 million. The deficit was primarily due to the accumulation of net losses during the start-up years, the accumulation of other comprehensive losses (as discussed in more detail in the financial statements) and adjustments to the opening balance related to the implementation of International Financial Reporting Standards. These were partially offset by \$150 million in equity provided by the shareholder at the inception of Transportation Investment Corporation.

Summary of Financial Results

Construction

The approved budget for the Port Mann / Highway 1 Improvement Project is \$3.319 billion.

| (\$ millions) | Cumulative Actual to 2010/11 | 2011/2012 Actual | 2011/2012 Budget | Variance | 2012/13 Budget | 2013/14 Forecast | 2014/15 Forecast |
|-------------------------|------------------------------------|---------------------|---------------------|----------|-------------------|---------------------|---------------------|
| Capital Expenditures | 1,729 | 728 | 717 | 11 | 606 | 94 | 162 |

The Minister of Finance is the Corporation's fiscal agent and provides both short-term and long-term funding, enabling the construction of infrastructure as well as payments for ongoing operations.

Total debt at year-end of \$1.98 billion consisted of short-term debt of \$334 million and long-term debt of \$1,644 million.

Operations

The Corporation is reporting losses for the year ended March 31, 2012 and will continue to report losses during the construction phase. Tolling operations are anticipated to commence in fiscal 2013, at which time the Corporation will begin to earn tolling revenue. Profitability is expected within five years of toll commencement once tolling revenues exceed ongoing operating expenses.

The net operating loss from operations of \$17 million (2011 - \$7 million) for fiscal year 2012 arises primarily from road operations, tolling procurement and administrative salaries. The balance is comprised of administrative costs.

| (\$ millions) | 2009/10 Actual | 2010/11 Actual | 2011/12 Actual | 2011/12 Budget | Variance | 2012/13 Budget | 2013/14 Forecast | 2014/15 Forecast |
|--|-------------------|-------------------|-------------------|-------------------|----------|-------------------|---------------------|---------------------|
| Revenue | 0 | 0 | 0 | 0 | - | 50 | 185 | 209 |
| Operating Expenses | | | | | | | | |
| Interest | | | 1 | | (1) | 29 | 130 | 155 |
| Operations & Maintenance | 3 | 5 | 13 | 13 | | 62 | 66 | 38 |
| Administration (including salaries and fees) | 1 | 2 | 3 | 2 | (1) | 4 | 5 | 5 |
| Amortization | | | | | | 3 | 33 | 39 |
| Net Loss From Operations | (4) | (7) | (17) | (15) | (2) | (48) | (49) | (28) |
| Other Comprehensive (Loss) | (26) | (74) | (135) | - | (135) | - | - | - |

In December 2009, Transportation Investment Corporation adopted a financial strategy that includes interest rate hedging to lock in borrowing costs that were attractive by historical standards. The strategy created predictable and affordable debt interest costs by minimizing the impact of global interest rate volatility over time. The financing and hedging strategy was designed to provide more certainty to Transportation Investment Corporation's future debt costs and more predictability as to when the Corporation would become profitable.

Transportation Investment Corporation utilizes hedge accounting under IFRS in order to account its debt and associated hedges. Hedge accounting minimizes variability of net operating income. At the end of each reporting period, Transportation Investment Corporation must value its outstanding debt and associated hedges utilizing current market rates of interest. Accounting gains and losses arise to the extent that these "fair market values" differ from their recorded or historical values. These accounting gains and losses are recorded in Other Comprehensive Income in the audited financial statements, are accumulated over time and subsequently amortized over the life of the debt.

Approximately 67% or \$2 billion of Transportation Investment Corporation's future long-term debt was hedged over the period 2010 to 2033. Market interest rates have fallen since that time and continue to be below the hedged rates. The fair market valuation of the Corporation's hedges has resulted in accounting losses which have been recorded as Other Comprehensive Losses. For the year ended March 31, 2012, Transportation Investment Corporation recognized \$135 million in Other Comprehensive

Losses (\$74 million for the year ended March 31, 2011). The unrealized portion of the hedging losses does not contribute to Net Loss from Operations and have no cash impact.

As of March 31, 2012, Transportation Investment Corporation's accumulated hedging losses totaled \$229 million (\$101 million as at March 31, 2011). As settlement of the hedging instruments occurs, the accumulated losses will be offset by equivalent savings from borrowings at lower interest rates. This will result in achievement of the average effective long-term interest rate of approximately 5% per annum, which was the objective of the financing and hedging strategy.

The operating expense (operations, administration, amortization & depreciation) budget for fiscal year 2011/12 totalled \$14.67 million; whereas, the actual expenses were \$16.72 million. The unfavourable variance of \$2.05 million is primarily due to tolling advisory services, legal costs, interest expense on land rights, systems support, computer and office equipment and rent.

The actual spend of operating expenses for fiscal year 2011/12 totaled \$16.72 million; whereas, fiscal year 2010/11 was \$7.25 million. The increase of \$9.47 million is primarily due to tolling development, consulting, legal, systems support, and corporate salaries.

June 27, 2012

Statement of Management Responsibility

Year ended March 31, 2012

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 judgements.

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,

Mike Proudfoot

Chief Executive Officer

Janet Woodruff

Chief Financial Officer (Interim)



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

Report on the Financial Statements

I have audited the accompanying financial statements of Transportation Investment Corporation, which comprise the statement of financial position and the statement of shareholder's equity as at March 31, 2012, March 31, 2011, and April 1, 2010, and the statements of profit or loss and other comprehensive income or loss, and cash flows for the years ended, March 31, 2012, and March 31, 2011, 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, 2012, March 31, 2011, and April 1, 2010, and its financial performance and its cash flows for the years ended March 31, 2012, and March 31, 2011, in accordance with International Financial Reporting Standards.

Victoria, British Columbia June 27, 2012 John Doyle, MAcc, CA Auditor General

Transportation Investment Corporation Statement of Financial Position

| As at | Notes | March 31, 2012 | March 31, 2011 | April 1, 2010 |
|---|-------------------|---|---|--|
| (\$ 000s) | | | Note 24 | Note 24 |
| ASSETS CURRENT ASSETS Cash Trade and other receivables | . 5 | \$ 11,913 4,453 16,366 | \$ 12,896 7,580 20,476 | \$ 4,573 13 4,586 |
| LONG-TERM ASSETS Property, plant and equipment Assets under construction Office equipment (net) | 6,25 | 2,330,047 166 2,330,213 | 1,602,998 | 934,989 384 935,373 |
| Intengible assets Restricted cash Investment property (net) | 7 8 9 | 126,388 10,500 707 2,467,808 \$ 2,484,174 | 119,290 10,500 709 1,733,758 \$ 1,754,234 | 44,807 10,500 5,699 996,379 \$ 1,000,965 |
| LIABILITIES CURRENT LIABILITIES Trade payables and accruals Current indebtedness | 10 · 11 | \$ 510,178 333,807 843,985 | \$ 430,178 269,191 699,369 | \$ 330,454 112,980 443,434 |
| LONG-TERM LIABILITIES Long-term indebtedness Provision Derivative liability | 12,25 13 15 | 1,643,671 38,909 111,964 1,794,544 | 943,875 38,909 81,252 1,064,036 | 419,727 38,909 26,385 485,001 |
| SHAREHOLDER'S EQUITY Contributed surplus Deficit Accumulated other comprehensive loss | 16 15 | 150,000 (75,097) (229,258) (154,355) | 150,000 (58,378) (100,793) (9,171) | 150,000 (51,132) (26,338) 72,530 |
| | | \$ 2,484,174 | \$ 1,754,234 | \$ 1,000,965 |

Approved on behalf of the Board on June 27, 2012

Grant Main, Chair

Larry Blain, Director

Transportation Investment Corporation

Statement of Shareholder's Equity

| <u>As at</u> | <u>Notes</u> | March 31, 2012 | | | March 31, 2011 | |
|--|--------------|----------------|----------------------------------|---|----------------|---------------------------------|
| (\$ 000s) | | • | | | | |
| SHARE CAPITAL & CONTRIBUTED SURPLUS | | | | | | |
| Beginning of the year | 16 | \$ | 150,000 | | \$ | 150,000 |
| End of the period | | | 150,000 | | | 150,000 |
| DEFICIT Beginning of the year Net loss from operations End of the period | | | (58,378) (16,719) (75,097) | - | | (51,132) (7,246) (58,378) |
| ACCUMULATED OTHER COMPREHENSIVE LOS | S | | | | | , |
| Beginning of the year | | | (100,793) | | | (26,338) |
| Other comprehensive loss for the period | | | (135,273) | | | (74,455) |
| Amortization on cash flow hedge reserves | | | 6,808 | | | - |
| End of the period | 15 | | (229,258) | | | (100,793) |
| TOTAL SHAREHOLDER'S EQUITY | | \$ | (154,355) | | \$ | (9,171) |

Statement of Profit or Loss and Other Comprehensive Income or Loss

| For the year ended | <u>Notes</u> | March 31, 2012 | | March 31, 2011 | |
|---------------------------------------|--------------|---|----------|----------------|----------|
| (\$ 000s) | | | | | |
| REVENUES | | \$ | - | \$ | |
| | | | | | |
| EXPENSES | | ٠ | | | |
| Highway maintenance | | | 5,193 | | 5,106 |
| Tolling development | | | 7,967 | | - |
| Consulting, legal and systems support | | | 1,415 | | 755 |
| Corporate salaries | | | 1,568 | | 1,060 |
| Depreciation | | | 182 | | 136 |
| Hedge ineffectiveness loss | 15 | | 44 | | 73 |
| Debt servicing cost | | *************************************** | 350 | ****** | 116 |
| | | *************************************** | 16,719 | | 7,246 |
| NET LOSS FROM OPERATIONS | | | (16,719) | | (7,246) |
| OTHER COMPREHENSIVE LOSS | | | | | |
| Unrealized effective hedging loss | | | (91,702) | | (54,837) |
| Realized effective hedging loss | | | (43,571) | | (19,618) |
| | | (| 135,273) | | (74,455) |
| COMPREHENSIVE LOSS FOR THE YEAR | r | <u>\$ (</u> | 151,992) | \$ | (81,701) |

Statement of Cash Flows

| For the year ended | March 31, 2012 | March 31, 2011 |
|--|---------------------|----------------|
| (\$ 000s) | | |
| Cash provided by (used for) | | |
| OPERATIONS | | • |
| Net loss from operations | \$ (16,719) | \$ (7,246) |
| Items not affecting cash: | ψ (10,719) | Ψ (7,240) |
| Depreciation expense | 182 | 136 |
| Hedge ineffectiveness loss | 44 | 73 |
| Changes in operating working capital: | •• | , 0 |
| Decrease/(increase) in trade and other receivables | 181 | (74) |
| Increase in trade payables and accruals | 2,951 | 124 |
| | (13,361) | (6,987) |
| | | |
| FINANCING | | |
| Proceeds from short-term debt (net) | 64,616 | 156,211 |
| Proceeds from long-term debt | 699,796 | 524,554 |
| Settlement of derivative financial instruments | (103,686) | (20,560) |
| | 660,726 | 660,205 |
| | | |
| INVESTING | • | |
| Intangible assets | (7,098) | (74,483) |
| Property, plant and equipment | (643,763) | (629,376) |
| Interest capitalized during construction (IDC) | (77,767) | (38,376) |
| Interest earned that reduced IDC | 285 | 243 |
| Investment property | - | 4,990 |
| Changes in investing working capital: | | |
| Decrease/(increase) in trade and other receivables | 2,946 | (7,200) |
| Increase in trade payables and accruals | 77,049 | 99,307 |
| | (648,348) | (644,895) |
| | | |
| Change in cash, current period | (983) | 8,323 |
| Cash, start of the period | 12,896 \$ 11,913 | 4,573 |
| Cash, end of the period | <u>\$ 11,913</u> | \$ 12,896 |
| Cash consists of: | | |
| Cash in bank | \$ 11,913 | \$ 12,896 |
| | | |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

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 1420, 1111 West Georgia Street, Vancouver, British Columbia.

TI Corp was established on June 25, 2008 under the *Transportation Investment Act (SBC 2002)*. The Corporation is currently undertaking the design and building of the Port Mann/Highway 1 Project (Project) as well as the ongoing operations. This includes maintenance and rehabilitation, as well as the development of systems and infrastructure to permit toll collection. 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, which outlines the terms and conditions of the Project was signed by authorized representatives of TI Corp, the BC Transportation Financing Authority (BCTFA) and the Ministry of Transportation and Infrastructure.

The Minister of Finance for British Columbia is the fiscal agent for the Transportation Investment Corporation.

2) BASIS OF PREPARATION

a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These financial statements are TI Corp's first statements issued under IFRS and present the Corporation's financial results of operations and financial position as at and for the year ended March 31, 2012, including fiscal 2011 comparative figures. The Corporation adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was April 1, 2010. In accordance with IFRS, the Corporation has:

- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of March 31, 2012 as required; and
- applied all applicable mandatory exceptions for first time IFRS adopters.

The Corporation's financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP). Canadian GAAP differs in some areas from IFRS. Subject to certain transition elections and mandatory exceptions from retrospective application of IFRS which are disclosed in Note 24, the Corporation has consistently applied the accounting policies used in the preparation of its opening statement of financial position at April 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 24 contains descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income along with reconciliations of the statement of financial position as at March 31, 2010 and April 1, 2010, and the statement of profit or loss and other comprehensive income for the year ended March 31, 2010.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

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

b) Basis of measurement

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

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

c) Federal and Provincial taxes

TI Corp is exempt from corporate income taxes. The Corporation was exempt from the Goods and Services Tax up to June 30, 2010. Thereafter, the Corporation fully complies with the requirements of the Harmonized Sales Tax.

d) Intangible assets

Intangible assets are recorded at cost and commencing January 1, 2013, will be amortized over their expected useful lives calculated on a straight line basis. The life of land rights is based on the residual term of the Concession Agreement of 78 years.

e) 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 as foreign currency gains and losses in net income (loss) from operations.

f) 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 of Gain or Loss | | | |
|-----------------------------|-----------------------------------|--|---|--|--|--|
| Cash and cash equivalents | Fair value through profit or loss | Fair value | Statement of profit or loss | | | |
| Trade and other receivables | Loans and receivables | Amortized cost using the effective interest method | Trade and other receivables are initially recognized at the amount required to be paid, less, when material, a discount to record the trade and other receivables at fair value. Subsequent to initial recognition, interest income is recorded in the statement of profit or loss using the effective interest method. | | | |

Notes to the Financial Statements For the years ended March 31, 2012 and March 31, 2011

| | · | | * |
|---|-----------------------------|--|--|
| Derivatives other than derivatives designated as an eligible hedging item in an effective hedge accounting relationship | Held for trading | Fair value | All changes in fair value are recorded in the statement of profit or loss. |
| Derivatives designated as an eligible hedging item in an effective cash flow hedging relationship | Designated hedges | Fair value | The effective portion of the derivative is recorded in other comprehensive income and is transferred to the statement of profit or loss in the same period or periods in which the hedged forecast cash flows affect profit and loss. |
| | | · · · · · · · · · · · · · · · · · · · | The ineffective portion of the gain or loss on the hedging instrument is recorded directly in the statement of profit or loss. |
| Trade payables | Other financial liabilities | Amortized cost using the effective interest method | Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to record the payables at fair value. Subsequent to initial recognition, interest expense is recorded in the statement of profit or loss using the effective interest method. |
| Long-term indebtedness | Other financial liabilities | Long term debt is initially recognized at fair value net of premiums or discounts and/or transaction costs which are directly attributable and incremental to the long term debt. Subsequent to initial recognition the debt is recorded at amortized cost | Interest expense is recognized in the statement of profit or loss or capitalized if determined to be interest during construction, using the effective interest method |

using the effective interest method

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

g) Property, plant and equipment

Assets under construction primarily consist of highway infrastructure under development including bridges, roadbeds, overpasses, underpasses, retaining walls and drainage systems. Costs which are directly attributable to assets under construction are capitalized provided the costs are necessary to bring the items into the location and condition for the assets to be capable of operating in the manner intended by management. Costs which occur in connection with the construction of assets under development which are incidental to the construction of the assets are immediately expensed. Consideration paid to third party contractors is measured at fair value. This includes the initial recognition of obligations to pay bonuses, if any exists, for completion of construction of the assets under construction which are directly attributable to the assets under construction and are paid for the purposes of ensuring that the asset is available to management in the necessary location and condition to fulfill management's plans for operating the asset. Capitalization of costs ceases when the asset is available for use at which time the asset under construction is re-classified into property, plant and equipment.

The cost of assets also incorporates the Corporation's initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Also included in this category are tolling systems and software under development and the construction of service and office buildings.

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

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

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment or investment property to its significant parts and depreciates each such part separately, where there are significant individual components with different useful lives. The method of depreciation and useful life of the individual components and/or assets as a whole are reviewed annually and adjusted, if appropriate.

Depreciation rates have been determined as follows:

| Capital Asset | Initial Measurement | Estimated Useful Lives | | | | |
|---------------------------|---------------------|------------------------------------|--|--|--|--|
| Assets under construction | Cost | Depreciated when available for use | | | | |
| Office equipment | Cost | 3 years – Straight line method | | | | |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

h) Debt placement fees

Transaction fees incurred in the arrangement or placement of debt are included as a component of the cost of debt. These costs will be amortized over the life of the particular debt instrument, using the effective interest rate method. Note 25.

i) Pension and post-retirement benefits

Pension benefits for employees of the Corporation are provided through the BC Public Service Pension Plan. This defined benefit multi-employer 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.

j) Administration and overhead costs

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

k) Trade payables

Trade payables are obligations to pay for services or goods which have been acquired in the ordinary course of business activities. Trade payables are classified as current liabilities if payment is required within one year or less. Trade payables are recognized initially at the contractually payable amounts, less a discount to fair value (if significant) and are subsequently measured at amortized cost.

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) Impairment of non-financial assets

Non-financial assets such as property, plant and equipment or intangible assets are tested for impairment when events or circumstances suggest that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

n) Impairment of loans and receivables

At the end of each reporting period, the Corporation assesses whether there exists objective evidence that a financial asset measured at amortized cost is impaired. Impairments are measured as the excess of the carrying amount over the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate for fixed rate instruments or effective rate at the date of impairment for floating rate instruments. Impairment losses on loans and receivables are recorded in the statement of profit or loss and are reversed in subsequent periods if the amount of the loss decreases, the decrease can be objectively related to an event occurring after the date of the original impairment.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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, seldom equal the actual results.

The following categories set forth management's most critical estimates, assumptions and judgments.

Valuation of Assets Under Construction

The Corporation utilizes the percentage of completion method to determine the cost of assets under construction. The determination of the percentage is estimated by the contractor and approved by the Owner's Representative. A variation of 1% of the total contract price would result in an estimation error of \$24 million. As the design build contract is a fixed price contract, any percentage of completion estimation errors will be corrected on final project completion.

Valuation of Hedging Instruments

As hedging instruments are re-valued at each reporting period the estimate impacts the fair value measurement of the derivative liability account. It also impacts the amount of any ineffectiveness recorded in the statement of profit or loss and the amount of any fair value gains or losses, which are deferred in accumulating other comprehensive loss until the hedged risk impacts the statement of profit or loss for effective hedging relationships. TI Corp uses third party independent subject matter experts to assist the Corporation in the determination of the fair value of derivatives.

Contingencies

The corporation is engaged in legal proceedings in relation to the expropriation of right-of-way lands acquired for infrastructure construction. The Corporation uses independent real estate appraisers to determine the land values of expropriated lands, and as a result, management believes the land owners have been adequately compensated for their property. The Corporation needs to apply judgment in distinguishing between a provision which is recognized as a liability on the statement of financial position and a contingent liability which is not recognized as a liability.

Based on information currently known to the corporation and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Corporation, taken as a whole.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

4) FUTURE ACCOUNTING CHANGES

New and revised International Financial Reporting Standards (IFRS) have been issued prior to the date of these financial statements. These standards have not been adopted for the current reporting period.

| , | STANDARD | EFFECTIVE DATE | EARLY |
|-----------|---|---|-----------|
| | | · | ADOPTION |
| | | · | PERMITTED |
| IFRS - 9 | Financial Instruments | Reporting periods beginning after Jan 1, 2015 | Yes |
| IFRS 10 | Consolidated Financial Statements | Reporting periods beginning after Jan 1, 2013 | Yes |
| IFRS 11 | Joint Arrangements | Reporting periods beginning after Jan 1, 2013 | Yes |
| IFRS – 12 | Disclosure of Interests in Other Entities | Reporting periods beginning after Jan 1, 2013 | Yes |
| IFRS - 13 | Fair Value Measurements | Reporting periods beginning after Jan 1, 2013 | Yes |
| IAS 27 | (Revision)Separate Financial Statements | Reporting periods beginning after Jan 1, 2013 | Yes |
| IAS – 28 | (Revision) Investments in Associates and | Reporting periods beginning after Jan 1, 2013 | Yes |
| | Joint Ventures | | |
| IAS – 19 | (Revision) Employee Benefits | Reporting periods beginning after Jan 1, 2013 | Yes |

TI Corp management has chosen not to early adopt any of the standards and does not believe the changes when adopted will have a significant impact on the Corporation's financial position or operating results.

TI Corp has early adopted amendments to IAS -1, presentation of financial statements, applicable for annual periods beginning on or after January 1, 2012.

5) TRADE AND OTHER RECEIVABLES

| (\$ 000's) | | irch 31, 2012 | March | 31, 2011 | April 1, 2010 | |
|---|--------|------------------|-------|----------|---|-----------|
| Trade accounts receivable | \$ | 2,478 | \$ | 89 | \$ | - |
| Related party trade accounts receivable: | | | | | | |
| Ministry of Transportation and Infrastructure | ****** | 216 | | 4,969 | *************************************** | <u>13</u> |
| | | 2,694 | | 5,058 | | 13 |
| HST recoverable | | 1,711 | | 2,496 | | - |
| Prepaid expense | | 48 | | 26 | | |
| | \$ | <u>4,453</u> | \$ | 7,580 | \$ | 13 |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

6) PROPERTY, PLANT AND EQUIPMENT (PPE)

Assets under construction are not depreciated until they are available for use. Capitalization of net interest costs for the year totaled \$77.3 million (2011 - \$37.4 million) indicating a blended interest rate of 3.85%.

| PPE at Cost (\$ 000's) | | Off Equip | | | sets Under | 2 11 | Total |
|--|-------------|--------------|-------|--------|-----------------------|-----------|----------------------|
| Balance April 1, 2010 as originally stated | | \$ | 480 | \$ | 941,841 | \$ | 942,321 |
| Accounting policy change Note 25 | | | _ | | (6,852) | | (6,852) |
| Balance April 1, 2010 as restated | | | 480 | | 934,989 | | 935,469 |
| Additions | | | 56 | | 668,415 | | 668,471 |
| Accounting policy change | | | _ | | (406) | | (406) |
| Balance March 31, 2011 | A | \$ | 536 | \$ | 1,602,998 | \$ | 1,603,534 |
| Additions | · · · · · · | | 102 | , | 727,049 | | 727,151 |
| Balance March 31, 2012 | | \$ | 638 | \$ | 2,330,047 | <u>\$</u> | <u>2,330,685</u> |
| Accumulated Depreciation (\$ 000's) | | Off Equip | | | sets Under | | Total |
| Balance April 1, 2010 | e | \$ | (96) | \$ | | \$ | (96) |
| Depreciation expense | | | (179) | | - | | (179) |
| Balance March 31, 2011 | | | (275) | | - | | (275) |
| Depreciation expense | | | (197) | | | - | (197) |
| Balance March 31, 2012 | | \$ | (472) | \$ | - | \$_ | <u>(472)</u> |
| Net Book Value (\$ 000's) | | Off | ire | Δςς | ets Under | | Total |
| | | OH | | , ,,,, | | | |
| • | | Equip | | | struction | | |
| Balance April 1, 2010 | | | | | nstruction 934,989 | \$ | 935,373 |
| | | | ment | | | \$ \$ | 935,373 1,603,259 |

7) 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 Concession Agreement for the Project. The term of the license commences on December 31, 2012 and ends on March 14, 2090. The licensing agreement requires preliminary payments to be made as the properties are acquired. Amortization of these intangible assets will commence on January 1, 2013.

| (\$ 000's) | 000's) Balance | | 2010/11 | Balance | 2011/12 | Balance | | |
|-----------------------|----------------|--------|--------------------------|---------|-----------|----------------|---------|--|
| | April 1, 2010 | | Additions March 31, 2011 | | Additions | March 31, 2012 | | |
| Land Rights – at cost | \$ | 44,807 | 74,483 | 119,290 | 7,098 | \$ | 126,388 | |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

8) RESTRICTED CASH

Restricted cash of \$10.5 million is held as collateral for a standby letter of credit issued by the Canadian Imperial Bank of Commerce (CIBC) in favor of the Receiver General for Canada on behalf of Fisheries and Oceans Canada (the beneficiary), to ensure TI Corp's compliance with their 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 expires on June 29, 2012 and will be renewed, until June 29, 2013. If required, the standby letter of credit will also be automatically reduced by the amount of each drawing paid by CIBC to the beneficiary.

9) INVESTMENT PROPERTY

Investment property is initially recorded at cost, which approximates fair value, and is subsequently recorded at depreciated cost. TI Corp has purchased this property on a temporary basis to facilitate construction activities. No portion of the investment property is for the use of TI Corp.

Estimated market value at March 31, 2012 is \$778,000. The estimated market value was based on an appraisal performed by a professional designated appraiser with an effective date of March 29, 2010.

Assessed value for 2012 property tax purposes as determined by the British Columbia Assessment Authority was estimated to be \$878,500.

The building was not available for use and depreciation was not recorded until April 1, 2011.

| (\$ 000's) | A | alance pril 1, 2010 | Additions | Disposals | | Balance Jarch 31, 2011 | Additions (Disposals) | Depreciation | | Balance March 31, 2012 |
|------------|----|---------------------------|-----------|-----------|-----|------------------------------|--------------------------|--------------|-----------|------------------------------|
| Land | \$ | 5,699 | 619 | (5,699) | \$ | 619 | - | - | \$ | 619 |
| Building | \$ | * | 90 | - | \$ | 90 | - | (2) | \$ | 88 |
| Total | \$ | 5,699 | 709 | (5,699) | \$_ | 709 | _ | .(2) | <u>\$</u> | 707 |

Depreciation for the building is calculated on a straight line basis over an expected future life of 50 years. The original building was constructed in 1968. Land is not depreciated. During the fiscal year 2010/11, lands purchased in the prior year for a park and ride project were sold to the BC Transportation Financing Authority at cost, which approximates fair market value, for proceeds of \$5,698,780.

Effective April 1, 2011, the remaining investment property was leased on a short term basis and will be sold upon completion of the project. For the current fiscal year, TI Corp recorded the following results from rental operations as an expense under operations.

(\$ 000's)

| (2 000 3) | |
|-------------------------------|-------------|
| Rental revenue | <u>\$ 6</u> |
| · | |
| Rental expenses | |
| Repairs and maintenance | 43 |
| Utilities | 1 |
| Depreciation | 2 |
| | 46 |
| Net Loss on Rental Operations | \$ (40) |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

10) TRADE PAYABLES AND ACCRUALS

| (\$000's) | Marc | h 31, 2012 | March | 31, 2011 | April 1, 2010 | |
|---|------|------------|-------|----------|---------------|---------|
| Trade payables | | | | 7 | | |
| Kiewit/Flatiron General Partnership (DB Contractor) | \$ | 470,946 | \$ | 351,244 | | 287,342 |
| Other Trade Payables | | 9,769 | | 54,599 | | 3,277 |
| Related party payables: | | • | | | | |
| Minister of Finance | | 24,599 | | 14,959 | | 6, 016 |
| Ministry of Transportation and Infrastructure | | 3,524 | | 6,036 | | 20,725 |
| BC Transportation Financing Authority | | 1,340 | | 3,340 | | 13,094 |
| | \$ | 510,178 | \$ | 430,178 | \$ | 330,454 |

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.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

11) CURRENT INDEBTEDNESS

TI Corp funds its construction and operations with a blend of long-term and short-term debt. Short-term commercial paper debt assumed by TI Corp typically matures within 90 to 365 days. TI Corp has been authorized by the Minister of Finance to acquire up to a limit of \$1 billion in short-term debt from the Province. The fair values of the commercial paper debt instruments approximate their stated values.

| Commercial Paper (\$000's) | Annual Interest Rate | Maturity Date | March 31, 2012 | March 31, 2011 | April 1, 2010 |
|-------------------------------|----------------------------|---|-------------------|-------------------|------------------|
| Province of British Columbia | 0.97 % | August 13,2012 | \$ 27,205 | | |
| Province of British Columbia | 0.73 % | April 9, 2012 | 30,107 | | |
| Province of British Columbia | 0.85 % | April 16,2012 | 37,237 | | |
| Province of British Columbia | 0.95 % | June 8, 2012 | 37,134 | | - |
| Province of British Columbia | 0.89 % | May 9, 2012 | 56,147 | | |
| Province of British Columbia | 0.95 % | May 14, 2012 | 24,972 | | |
| Province of British Columbia | 1.02 % | August 15, 2012 | 19,973 | | |
| Province of British Columbia | 1.06 % | February 15, 2013 | 15,060 | | |
| Province of British Columbia | 0.94 % | May 18, 2012 | 29,963 | . , | |
| Province of British Columbia | 0.93 % | June 1, 2012 | 9,908 | | |
| Province of British Columbia | 0.97 % | August 27, 2012 | 19,124 | | |
| Province of British Columbia | 1.03 % | September 10, 2012 | 13,007 | | |
| Province of British Columbia | 0.92 % | June 25, 2012 | 13,970 | | |
| Province of British Columbia | 1.10 % | July 7, 2011 | | \$ 25,226 | |
| Province of British Columbia | 1.08 % | May 6, 2011 | | 43,354 | |
| Province of British Columbia | 1.00 % | May 10, 2011 | | 38,149 | |
| Province of British Columbia | 1.07 % | June 3, 2011 | | 17,057 | |
| Province of British Columbia | 1.10 % | June 13, 2011 | | 50,161 | |
| Province of British Columbia | 1.12 % | June 15, 2011 | · | 35,114 | |
| Province of British Columbia | 1.00 % | May 5, 2011 | | 48,154 | |
| Province of British Columbia | 0.90 % | June 20, 2011 | | 11,976 | |
| Province of British Columbia | 0.14% | May 19, 2010 | | | \$ 57,989 |
| Province of British Columbia | 0.14% | May 19, 2010 | | | 49,991 |
| Province of British Columbia | 0.13% | April 1, 2010 | | | 5,000 |
| • | | * · · · · · · · · · · · · · · · · · · · | \$ 333,807 | \$ 269,191 | \$ 112,980 |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

12) LONG-TERM INDEBTEDNESS

Long-term debt consists of a series of bonds due to the Province of British Columbia. With the approval of the Minister of Finance, sinking fund payments have been temporarily suspended but will commence once tolling revenue has been received. The Minister of Finance is the fiscal agent of TI Corp. There are no debt maturities over the next 5 years. One new long-term debt instrument was issued during the current fiscal year. Note 25, Accounting Policy Change illustrates the changes to prior year balances.

Interest to be paid on currently held long-term debt over the next 5 years amounts to \$82 million per year. During the construction phase of operations, the majority of the interest costs will be capitalized as a part of the capital asset costs. Fair values have been determined using active market comparisons.

| | | | | * | March 3 | 1, 2012 | March 3 | 1, 2011 | April 1 | , 2010 |
|-----------------------------|------------------|--------------------|----------------|-------------------|-------------|-------------------|-------------|-------------------|------------|-------------------|
| Debt Series (\$000's) | Maturity Date | Face Value | Coupon Rate | Effective Rate | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost |
| BCCP148 | June 9, 2039 | \$ 78,188 | 4.99% | 5.06% | \$99,613 | \$ 77,400 | \$ 86,061 | \$ 77,387 | \$82,804 | \$ 77,374 |
| BCCD-22 | June 18, 2040 | 100,000 | 4.95% | 4.76% | 127,038 | 102,989 | 109,405 | 103,038 | 105,225 | 103,085 |
| BCCD-19 | June 18, 2031 | 150,000 | 5.00% | 5.06% | 184,568 | 148,903 | 163,159 | 148,870 | 157,281 | 148,839 |
| BCCD-22 | June 18, 2040 | 96,000 | 4.95% | 5.34% | 122,056 | 90,585 | 105,029 | 90,505 | 101,016 | 90,429 |
| BCCD-W | Nov 19, 2027 | 235,600 | 6.15% | 4.70% | 324,578 | 273,346 | 293,142 | 274,929 | | |
| BCCD-X | June 18, 2029 | 222,000 | 5.70% | 4.70% | 294,282 | 248, 188 | 262,999 | 249,146 | | |
| BCCD-X | June 18, 2029 | 591,833 | 5.70% | 4.17% | 783,673 | 702,260 | | | | , |
| | | <u>\$1,473,621</u> | | | \$1,935,808 | <u>1,643,671</u> | \$1,019,795 | <u>\$ 943,875</u> | \$446,326 | <u>\$419,727</u> |

Fair value is determined using relative yield curves provided by third party vendors. Long-term interest rates have declined resulting in a higher market value of debt. It is the intention of TI Corp management to hold these debt instruments until maturity.

13) PROVISION

TI Corp has the contractual obligation to decommission the old Port Mann Bridge upon completion of the new structure. The estimated future cost of this task is \$ 38.9 million. The Design Build contractor will determine the timing of this process, but it is anticipated to be removed by 2015. Due to the abbreviated time frame and the undetermined completion date of the decommissioning, net present value calculations were not utilized to determine the current year's valuation of this obligation.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

14) HEDGING AND DERIVATIVE FINANCIAL INSTRUMENTS

TI Corp entered into a number of hedging transactions, during 2009, through advanced rate setting (ARS), also known as bond forwards and forward starting swap instruments, to hedge cash flow exposure on interest payments in advance of future debt obligations. The Corporation has elected to apply hedge accounting rules in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The sole purpose in entering into derivative contracts is to mitigate interest rate risk by offsetting expected future interest rate increases. Hedge accounting rules permit the matching of hedging instrument gains or losses to the increase or decrease in future bond values. The Corporation does not enter into derivative financial instruments for trading or speculative purposes.

| | (\$000's) | March 3 | 1, 2012 | March : | 31, 2011 | April 1 | , 2010 |
|-----------------------|------------------------|----------------------|----------------|----------------------|-------------|----------------------|----------------|
| Hedging Instrument | Derivative Maturity | Derivative Amount | Hedged Item | Derivative Amount | Hedged Item | Derivative Amount | Hedged Item |
| ARS-1 | May 19, 2010 | \$ - | \$ - | \$ - | \$ - | \$ 216,500 | \$ 268,000 |
| ARS-1 Ext | June 20, 2011 | - | - | 51,500 | 63,700 | 51,500 | 63,700 |
| ARS-2 | June 18, 2010 | - | _ | - | | 100,000 | 119,100 |
| ARS-4 | June 20, 2011 | <u>-</u> | - | 200,000 | 227,800 | 200,000 | 227,800 |
| ARS-5 | June 18, 2010 | - | * | - | - | 100,000 | 118,400 |
| ARS-6 | June 20, 2011 | | - | 100,000 | 114,300 | 100,000 | 114,300 |
| ARS-7 | June 20, 2011 | - | - | 75,000 | 100,000 | 75,000 | 100,000 |
| SWAP-1 | June 18, 2013 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| SWAP-2 | January 16, 2013 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| SWAP-3 | June 18, 2011 | - | - | 100,000 | 100,000 | 100,000 | 100,000 |
| SWAP-4 | June 18, 2011 | | *** | 100,000 | 100,000 | 100,000 | 100,000 |
| | | \$ 800,000 | \$ 800,000 | \$1,426,500 | \$1,505,800 | \$1,843,000 | \$2,011,300 |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

15) OTHER COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

A decline in long-term interest rates has resulted in losses from both realized and unrealized hedge valuations. The comprehensive loss detailed in the statement of profit or loss and other comprehensive income or loss, consists of two components – net loss from operations and other comprehensive loss. Other comprehensive loss represents both the unrealized fair value changes of effective portions of cash flow hedging instruments which have not matured, as well as the realized hedging losses for matured hedges. Realized loss amounts are amortized over the term of the debt assumed at maturity. Unrealized estimated losses on hedges that have not matured are not amortized until such time as the criteria for recognition in the statement of profit or loss has been met.

| (\$000's) | N | Narch 31, 2012 | | M | arch 31, 2011 | |
|---|---|---------------------------------------|--|--|-------------------------|---|
| Hedging Instrument | Accumulated Other Comprehensive Loss | Derivative Liability | Loss(Gain) on Ineffective Portion of Derivative | Accumulated Other Comprehensive Loss | Derivative Liability | Loss(Gain) on Ineffective Portion of Derivative |
| ARS-1 | \$ ~ | \$ - | \$ - | \$ - | \$ - | \$ - |
| ARS-1 Ext | - · · · · · · · · · · · · · · · · · · · | | - | 5,047 | (5,047) | ·. - |
| ARS-2 | · · · · · · · · · · · · · · · · · · · | | | in the second se | | 8 |
| ARS-4 | · · · · · · · · · · · · · · · · · · · | | 31 | 24,554 | (24,608) | 38 |
| ARS-5 | , | · · · · · · · · · · · · · · · · · · · | | · · · · · · · · · · · · · · · · · · · | | 10 |
| ARS-6 | 3 | | 13 | 11,710 | (11,733) | 17 |
| ARS-7 | - · · · · · · · · · · · · · · · · · · · | | | 8,573 | (8,573) | |
| SWAP-1 | 55,424 | (55,424) | · · · · · · · · · · · · · · · · · · · | 7,649 | (7,649) | - - |
| SWAP-2 | 56,540 | (56,540) | • | 12,613 | (12,613) | _ |
| SWAP-3 | | - | · • | 5,712 | (5,712) | - |
| SWAP-4 | | | _ | 5,317 | (5,317) | |
| Unrealized hedge losses Unamortized portion of | 111,964 | (111,964) | 44 | 81,175 | (81,252) | 73 |
| realized cash flow hedge reserves | 117,294 | | | 19,618 | _ | |
| | \$ 229,258 | <u>\$(111,964)</u> | <u>\$ 44</u> | <u>\$ 100,793</u> | \$ (81,252) | <u>\$ 73</u> |

All hedging instruments have been designated as cash flow hedges. The current year's loss of \$44 thousand on the ineffective portions of the hedging instruments is recorded under net loss from operations entitled "hedge ineffectiveness loss". The losses on the effective portions of the hedging instruments are recorded as effective hedging losses in the Other Comprehensive Loss area of the Statement of Profit or Loss and Other Comprehensive Income or Loss. Hedged long-term debt to be issued in the future will mature between 2019 and 2023.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

CASH FLOW HEDGE RESERVES

| Matured Hedging Instrument (\$000's) | Loss on Maturity | Allocated Interest Co in Fiscal 2010/11 | ost Rese I Accur I Comp | n Flow Hedge rve Balance in mulated Other rehensive Loss rch 31, 2011 | Allocated t Interest Co from AOCI Fiscal 2011/12 | t Reserv n Accum Comp | Flow Hedge e Balance in ulated Other prehensive Loss h 31, 2012 | Cash Flow Hedge Reserve Amortized Until |
|--|---------------------|--|-------------------------------|---|--|-----------------------------|--|---|
| <u>2010/11</u> Maturities | | | | | | | ٠ | |
| ARS-1 | \$ 7,677 | \$ 3 | 384 \$ | 7,293 | \$ 439 | \$ | 6,854 | Nov 19, 2027 |
| ARS-2 | 6,113 | | 254 | 5,859 | 32 | | 5,537 | June 18, 2029 |
| ARS-5 | 6,747 | | -34 281 | 6,466 | 35! | | 6,111 | June 18, 2029 |
| Cash flow | | | | <u></u> | | <u> </u> | <u> </u> | June 10, 2025 |
| hedge reserves | \$ 20,537 | \$ 9 | 919 \$ | 19,618 | \$ 1,116 | <u>\$</u> | 18,502 | |
| 2011/12 Maturities | | | | | | | | |
| ARS-1 EXT | 8,634 | | | | 398 | 3 | 8,236 | June 1, 2029 |
| ARS-4 | 38,465 | | | | 1,77 | 3 | 36,692 | June 1, 2029 |
| ARS-6 | 18,007 | | | | 830 |) | 17,177 | June 1, 2029 |
| ARS-7 | 13,256 | | | | 61: | | 12,645 | June 1, 2033 |
| SWAP-3 | 12,702 | | | | 585 | , | 12,117 | June 18, 2029 |
| SWAP-4 | <u>12,501</u> | | | | <u>576</u> | <u> </u> | <u>11,925</u> | June 18, 2029 |
| Cash flow hedge reserves Total cash flow | <u>\$ 103,565</u> | | | | \$ 4,773 | \$ \$ | 98,792 | |
| hedge reserves | | | \$ | 19,618 | | \$ | 117,294 | |

During the 2010/11 fiscal year, ARS-1, ARS-2, and ARS-5 matured, resulting in Accumulated Other Comprehensive Losses in the amount of \$20,537,579.

During the 2011/12 fiscal year, ARS-1 EXT, ARS-4, ARS-6, ARS-7, and SWAP 3 and 4 matured, resulting in Accumulated Other Comprehensive Losses in the amount of \$103,565,000.

Initially, the cash flow hedge reserves represent the cost of the settlement of derivative financial instruments less the amount of the hedge ineffectiveness loss recognized in operating expenses.

These amounts, collectively called "cash flow hedge reserves", will be fully recognized as expenditures over the term of the specific debt acquired. During the construction phase of the project, the amortization of the cash flow hedge reserves will be added to the cost of the assets under construction. As assets are completed, these costs will be listed as operating expenses in the Statement of Profit or Loss and Other Comprehensive Income or Loss.

For the 2012/13 fiscal year, the cash flow hedge reserves' anticipated allocation to interest cost will be \$6,807,838.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

16) SHARE CAPITAL AND CONTRIBUTED SURPLUS

| | Ma | arch 31,2012 | March 31, 2011 Apr | | pril 1, 2010 | |
|---------------------|----|--------------|--------------------|-------------|--------------|-------------|
| Share capital | \$ | 100 | \$ | 100 | \$ | 100 |
| Contributed surplus | | 149,999,900 | | 149,999,900 | ********* | 149,999,900 |
| • | \$ | 150,000,000 | \$ | 150,000,000 | \$ | 150,000,000 |

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

Contributed surplus consists of \$100 million received from the Province of British Columbia and work-in-progress valued at \$50 million transferred from the BCTFA in 2009.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

17) RELATED PARTY TRANSACTIONS

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

All debt financing, including hedging instruments is obtained through the Ministry of Finance.

| EXPENDITURES | | | | |
|------------------------------------|--|---|-----------|--|
| Category (\$000's) | Related Party | 2012 2011 \$ 77,671 \$ 37,481 189 131 64,616 156,211 699,796 524,554 20,236 30,877 6,981 78,325 21 17 52 4 472 - 140 122 | | |
| | Parent: | | | |
| Interest and debt management costs | Minister of Finance | \$ 77,671 | \$ 37,481 | |
| Administration costs | Minister of Finance | 189 | 131 | |
| Net short-term debt | Minister of Finance | 64,616 | 156,211 | |
| Long-term debt | Minister of Finance | 699,796 | 524,554 | |
| Property plant and equipment | Ministry of Transportation and Infrastructure | 20,236 | 30,877 | |
| | en de la companya de | | * * | |
| | Associates: | | | |
| Land rights | BC Transportation Financing Authority | 6,981 | 78,325 | |
| Administration | Partnerships BC | 21 | 17 | |
| Utilities | BC Hydro | 52 | 4 | |
| Property plant and equipment | ICBC | 472 | - | |
| Employee benefits | Public Service Pension Plan | 140 | 122 | |
| | Key Management Personnel: | | | |
| Corporate compensation | Executive and Board compensation | 522 | 377 | |
| | Executive short-term benefits | 10 | 6 | |
| | Executive post-employment benefits | 17 | 15 | |
| | Executive termination benefits | 15 | | |

Parent:

Ministries of the Province of British Columbia

Debt financing acquired from the Province of BC includes short-term commercial paper and bond issuances. Repayment of principal, interest and associated debt management fees are payable to the Minister of Finance.

Ministry of Transportation and Infrastructure

Technical services used throughout the course of construction are provided through the Ministry of Transportation and Infrastructure.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

Associate:

BC Transportation Financing Authority (BCTFA)

TI Corp obtained the right to occupy and use the right-of-way lands owned by the BCTFA until 2090.

| D | E | r | Г | ID | TS |
|----|---|----|----------|-----|-----|
| 13 | Ł | ٧. | <u>.</u> | 1 6 | 1 7 |

| OLI, IO | | | |
|-----------|---------------|------|------|
| Category | Related Party | 2012 | 2011 |
| (\$000's) | | | |

Parent:

| Capital assets | Ministry of Transportation and Infrastructure | \$ 5,910 | \$ 23,882 |
|----------------|---|-------------|--------------|
| Capital assets | BC Transportation Financing Authority | - | 5,699 |

Parent:

Ministry of Transportation and Infrastructure

Receipts from the Ministry of Transportation and Infrastructure are primarily for the cost recovery of a park and ride project.

18) SERVICE CONCESSION AGREEMENT

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

TI Corp's duties as defined under the CA and CAMA 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.
- Keep the concession open to the public.
- Maintain ownership of acquired capital assets.

Province's obligations as described in the CA and CAMA 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 and CAMA include:

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

Collection of tolls will commence upon completion of the Port Mann Bridge and associated highways infrastructure.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

19) CONTRACTUAL COMMITMENTS

At March 31, 2012, TI Corp had the following unrecognized contractual obligations:

| (\$ Millions) | 2012/13 | 2013/14 | 2014/15 | 2015/16 2 | 016/17 E | Beyond | TOTAL |
|--------------------------------------|---------------|---------------|--------------|-----------|--------------|--------|---------------|
| Kiewit/Flatiron | \$ 443 | \$ 81 | \$ 30 | \$ - \$ | _ | T + | \$ 554 |
| General Partnership | | | | | | | , |
| New construction | | | | | | | • |
| Ministry of | 21 | 19 | | | - | | 40 |
| Transportation and | | | | • | | | |
| Infrastructure | | | | | | | |
| Land Rights | 11 | 13 | 6 | | - | | 30 |
| Toll Operator | 9 | 8 | 6 | 6 | 6 | 12 | 47 |
| C-S Intelligent | 15 | 2 | 1 | - | - | | 18 |
| Transportation | | | | | | | |
| Systems BC Inc. | | | | | | | |
| Mainroad | 5 | 5 | 2 | - | - | | 12 |
| Infrastructure | | | | | | | |
| Maintenance LP | | | | | | | |
| Focus Corporation | 7 | · | - | · • | | | |
| EllisDon Corporation | , 6 | <u>.</u> | - | | | | 6 |
| Lands West Property | 5 | - | - | - | - | | 5 |
| Services Inc. | | | | ÷ | | | |
| KPMG LLP | 2 | | | · · | - | | 2 |
| Cossette | 2 | · - | - | - | • | | 2 |
| Communication Inc. | | | | | | | |
| OpenRoad | 1 | - | - | - | - | | 1 |
| Communications | | | | | | | • |
| Simmons Property | 1 | - | - | . • | . · - | | 1 |
| Services Inc. | | | | | | | |
| Miscellaneous other | | | | | | | ٠ |
| small contracts | 5 | 1 | **** | | - | | 6 |
| | <u>\$ 533</u> | <u>\$ 129</u> | <u>\$ 45</u> | \$ 6 \$ | <u>6</u> \$ | 12 | <u>\$ 731</u> |

Small contracts under \$1 million are accumulated under the caption Miscellaneous other small contracts.

Although TI Corp has no additional significant contracts in effect at March 31, 2012, the Corporation has a requirement to engage contractors in the future for the purposes of infrastructure maintenance and tolling operations.

The Corporation also has a contingent asset of an undetermined amount for the recovery of Provincial Sales Taxes. The Design Build contract was bid and signed when the Provincial Sales Tax was in effect. Subsequently, effective July 1, 2010, this tax was replaced by the Harmonized Sales Tax. This change created a reduction in the cost of the highway infrastructure. The full amount will be determined at the completion of the project.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

20) CAPITAL MANAGEMENT

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 is 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.

21) 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 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 Minister of Finance under which the Minister, as fiscal agent for the Corporation, may enter into derivative product transactions with third parties. 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 the current reporting date of March 31, 2012 and March 31, 2011, TI Corp does not have significant counterparty credit risk on its derivatives as the fair value of the derivatives is in a liability position.

Cash and cash equivalents do not present a significant credit risk as accounts receivables are minimal and cash is held at a major banking institution with strong credit worthiness.

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. The Province has guaranteed all payments under the Design Build contract for the Project. In addition, TI Corp has been given approval to spend up to \$3.319 billion on the Project, with funding provided through the Minister of Finance as TI Corp's fiscal agent. The Corporation monitors its spending and debt through budgets, forecasts and effective management of its contracts.

Market Risk:

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

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

Currency Risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. As at March 31, 2012 (2011: \$nil), TI Corp has no foreign currency debt. When this has occurred in the past, the risk has been managed by entering into foreign currency derivative contracts.

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. As short-term debt must be renewed on a frequent basis, interest rate increases will lead to higher interest costs. For the 2011/12 fiscal year, a change of 1% to the short-term interest rate would result in an estimated short-term interest cost change of \$3.5 million. TI Corp has instituted a hedging strategy to mitigate the risk of higher long-term interest rates.

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 subject to other price risk.

Fair Value Disclosure:

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

TI Corp has used the following fair value hierarchy to classify financial instruments recorded at fair value on the Corporation's Statement of Financial Position:

Level 1 – quoted prices (unadjusted in active markets for identical assets and liabilities);

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices), or indirectly (derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial Instrument | A | mount | Measurement |
|---------------------------|----|----------|-------------|
| | (: | \$000's) | Level |
| Cash and cash equivalents | \$ | 11,913 | 1 |
| Derivative liabilities | \$ | 111,964 | 2 |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

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

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.

22) EMPLOYEE BENEFIT PLAN

In fiscal year 2009/10, both TI Corp and its employees commenced contributions to the Public Service Pension Plan (the Plan), a jointly trusteed 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 contributory defined benefit 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.

As at March 31, 2012, the corporation has approximately 20 employees contributing to the Plan which has approximately 57,000 active Plan members and 36,000 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 valuation, as at March 31, 2011, indicated the basic account had assets of \$17,765,343,000 and liabilities of \$18,040,744,000. The actuary does not attribute portions of any unfunded liability to individual employers. Effective April 1, 2012, contribution rates to the basic account were increased by a total of 0.40 percent of salary, for both employee members and employers.

Total account contribution rates in effect for the year ended March 31, 2012, as a percent of salary, are as follows:

| | EMPLOYEE | EMPLOYER |
|---|----------|----------|
| Below year's maximum pensionable earnings for CPP | 7.78% | 8.78% |
| Above year's maximum pensionable earnings for CPP | 9.28% | 10.28% |

In fiscal 2012, the employees of the TI Corp contributed \$124,766 (2011 - \$108,452) and the Corporation paid \$139,761 (2011 - \$121,682) in employer contributions to the Plan.

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

23) SUBSEQUENT EVENTS

During the period April 2 to April 16, 2012, TI Corp acquired additional short term debt in the amount of \$554 million for the purpose of settling outstanding account payables and to fund ongoing operations.

24) TRANSITION TO IFRS

These financial statements represent the first annual financial statements of the Corporation prepared in accordance with IFRS, as issued by the IASB. The Corporation adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was April 1, 2010 (the "Transition Date"). In accordance with IFRS, the Corporation has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of March 31, 2012 as required; and
- applied all applicable mandatory exceptions for first time IFRS adopters.

Initial Exemptions upon adoption

Management chose not to elect to adopt any IFRS exemption options permitted by IFRS 1 in the conversion from Canadian GAAP to IFRS.

IFRS Mandatory Exceptions

Set forth below are the mandatory exceptions in IFRS 1 which are relevant to the Corporation and have, therefore, been applied in the preparation of the IFRS transition balance sheet and thereafter on conversion from Canadian GAAP to IFRS including explanations of their impact on the financial statements of the Corporation.

- **Estimates** Hindsight was not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS.
- **Hedge accounting** All TI Corp's hedging relationships satisfied the hedge accounting criteria in IAS 39 as at the transition date of April 1, 2010. All derivatives continue to be stated at fair value.

Reconciliation of Canadian GAAP to IFRS

| Reconciled Accounts (\$ 000's) | Canadian GAAP March 31, 2010 | Restated to IFRS April 1, 2010 | |
|--------------------------------|---------------------------------|--------------------------------|--|
| Equity | \$ 111,439 | \$ 72,530 | |
| Loss from Operations | \$ 4,465 | \$ 4,465 | |
| Comprehensive Loss | \$ 30,803 | \$ 30,803 | |

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

Reconciliation of Opening Statement of Financial Position as at April 1, 2010 (000°s)

| Canadian <u>GAAP Accounts</u> | Canadian GAAP Balance | IFRS Adjustments and Reclassifications | Accounting Policy Change Note 25 | IFRS <u>Balance</u> | IFRS <u>Accounts</u> |
|---------------------------------|--------------------------|--|----------------------------------|------------------------|-----------------------------|
| Cash | \$ 4,573 | | | \$ 4,573 | Cash |
| Accounts receivable | 13 | _ | | 13 | Trade and other receivables |
| Current assets | 4,586 | | | 4,586 | |
| Assets under construction | 941,841 | | (6,852) | 934,989 | Assets under construction |
| Office equipment | 480 | (96) | | 384 | Office equipment, net |
| Accumulated depreciation | (96) | 96 | | 0 | |
| Intangible assets | 44,807 | | | 44,807 | Intangible assets |
| Restricted cash | 10,500 | | | 10,500 | Restricted cash |
| Land | 5,699 | - | | 5,699 | Investment property |
| Total assets | \$ 1,007,817 | | | \$ 1,000,965 | |
| Accounts payable and | | | | | |
| accrued liabilities | \$ 330,454 | | | \$ 330,454 | Trade payables and accruals |
| Short-term debt | 112,980 | _ | _ | 112,980 | Current indebtedness |
| Current liabilities | 443,434 | , | | 443,434 | |
| | 0 | 38,909 | | 38,909 | Provision |
| Long-term debt | 426,579 | | 6,852 | 419,727 | Long-term indebtedness |
| Financial instrument derivative | 26,365 | | | 26,365 | Derivative liability |
| Contributed surplus | 150,000 | | | 150,000 | Contributed surplus |
| Deficit | (12,223) | (38,909) | | (51,132) | Deficit |
| Accumulated other | | | | | Accumulated other |
| comprehensive loss | (26,338) | _ | | (26,338) | comprehensive loss |
| Total liabilities and equity | \$ 1,007,817 | - | . 7 | \$ 1,000,965 | _ |

IFRS Changes

Depreciation was reclassified to office equipment (net). A provision was recorded at transition date (Note 13)

Notes to the Financial Statements
For the years ended March 31, 2012 and March 31, 2011

TI Corp approved a Design Build construction contract in 2009. The contract required the contractor to remove the existing Port Mann Bridge after the completion of the new bridge. Under IFRS, this estimated cost is defined as a Provision which requires immediate recognition in the records of the Corporation. Under IFRS this cost would have been expensed in 2009 and on conversion to IFRS, TI Corp has retro-actively recorded the Provision and its effect on the Equity of the Corporation. (Note 13)

25) CHANGE IN ACCOUNTING POLICY

During the year, the Corporation changed its accounting policy for the treatment of debt placement costs.

Under the previous accounting policy, debt placement costs were added to the cost of the assets being financed by assumption of the debt. The new policy includes this cost as a component of the overall debt amount.

The change will result in more reliable and relevant financial information by including all associated debt placement costs within the classification of outstanding debt.

This change was applied retrospectively to all prior periods as indicated in the table below. Note 6 and Note 12

| (\$000's) | Assets under | construction | Long-term indebtedness | |
|--------------------------------|--------------|--------------|------------------------|---------|
| Balance March 31, 2010 | \$ | 941,841 | \$ | 426,579 |
| Accounting policy adjustment | | (6,852) | | (6,852) |
| Revised balance March 31, 2010 | \$ | 934,989 | \$ | 419,727 |
| Balance March 31, 2011 | \$ | 1,610,256 | \$ | 951,133 |
| Accounting policy adjustment | | (7,258) | - | (7,258) |
| Revised balance March 31,2011 | \$ | 1,602,998 | \$ | 943,875 |

26) CONTINGENT LIABILITIES

A provision of the design build contract with Kiewit/Flatiron General Partnership requires the payment of an early completion bonus if the tolling operations commence prior to December 1, 2012. At March 31, 2012, it is not possible to determine if a payment will be required.

From time to time, 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.

27) COMPARATIVE FIGURES

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

CONTACT INFORMATION

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