Audited Financial Statements of

Transportation Investment Corporation

Year Ended March 31, 2009

Report of the Auditor General
of British Columbia

To the Board of Directors of
Transportation Investment Corporation, and

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

I have audited the statement of financial position of *Transportation Investment Corporation* as at March 31, 2009, and the statements of operations, shareholder's equity and cash flows for the period from inception, June 25, 2008, to March 31, 2009. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Transportation Investment Corporation* as at March 31, 2009, and the results of its operations and its cash flows for the period from inception, June 25, 2008, to March 31, 2009, in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
June 12, 2009

John Doyle, MBA, CA
Auditor General

Period ended March 31, 2009

Statement of Management Responsibility
Transportation Investment Corporation

The financial statements of Transportation Investment Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles.

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

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

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

Yours truly,

Frank Blasetti
President and Chief Executive Officer

Kenneth Tan
Chief Financial Officer

Transportation Investment Corporation
Statement of Financial Position
As at March 31

	2009
	($ 000s)
ASSETS	
CURRENT ASSETS	
Cash	51,143
Foreign currency derivative	169
	51,312
Property, plant and equipment (note 3)	202,879
Land rights (note 4)	12,409
	266,600
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities (note 5)	104,209
Short-term debt (note 6)	20,149
	124,358
SHAREHOLDER'S EQUITY (note 7)	
Share capital	-
Contributed surplus	150,000
Deficit	(7,758)
	142,242
	266,600

Contractual Obligations (note 8)

Approved on behalf of the board

Larry Blain, Director

Frank Blasetti, President & CEO

Transportation Investment Corporation

Statement of Shareholder's Equity

For the period from inception, June 25, 2008 to March 31	2009
	($ 000s)
SHARE CAPITAL	
Beginning of the period	-
Issue of share	-
End of the period	-
CONTRIBUTED SURPLUS	
Beginning of the period	-
Province of British Columbia	100,000
Asset transfer from BCTFA	50,000
End of the period	150,000
DEFICIT	
Beginning of the period	-
Operating loss	(7,758)
End of the period	(7,758)

Transportation Investment Corporation

Statement of Operations

For the period from inception, June 25, 2008 to March 31	2009
	($ 000s)
REVENUES	
Unrealized net foreign exchange gain (note 10)	21
EXPENSES	
Operations and maintenance	1
Professional services (note 11)	1,778
Contract termination fee (note 12)	6,000
	7,779
Net Loss	(7,758)

Transportation Investment Corporation

Statement of Cash Flows

For the period from inception, June 25, 2008 to March 31	2009
Cash provided by (used for)	($ 000s)
Operations	
Net loss	(7,758)
Item not affecting cash:	
Unrealized net foreign exchange gain	(21)
Accounts payable and accrued liabilities for operations	40
	(7,739)
Financing	
Capital contribution	100,000
Proceeds from debt	20,001
Accounts payable and accrued liabilities for property, plant and equipment	104,169
	224,170
Investing	
(Increase) in land rights	(12,409)
(Increase) in property, plant and equipment	(152,879)
	(165,288)
	51,143

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

The President and CEO of TI Corp. is the Assistant Deputy Minister of the Ministry of Transportation and Infrastructure.

1. Significant accounting policies:

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

b) Financial instruments:
The Canadian Institute of Chartered Accountants (CICA) requires that all financial instruments be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. TI Corp. has designated its financial instruments as follows:

Cash includes deposits in banks and is measured at fair value. All gains and losses are included in the Statement of Operations in the period in which they occur. Fair value is an estimate of the amount of consideration that would be agreed upon in arm's length transaction between knowledgeable, willing parties under no compulsion to act.

Accounts payable and accrued liabilities and short-term debt are classified as other financial liabilities and are measured at amortized cost. The carrying values of accounts payable and accrued liabilities and short-term debt approximate their fair value because of the short-term maturity of these financial instruments.

TI Corp. entered into a foreign currency derivative to manage foreign exchange risk associated with short-term debt. This derivative is measured at fair value and the change in fair value is recognized as a foreign exchange gain (loss) in the Statement of Operations.

c) Foreign exchange:
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the end of the period. Changes in the Canadian dollar equivalent of these monetary assets and liabilities due to changes in the exchange rate are recognized as a foreign exchange gain (loss) in the Statement of Operations.

1. Significant accounting policies (continued):

d) Property, plant and equipment:
Work in progress consists of direct project expenditures and related financing costs. When the project is substantially complete, capitalization of financing costs will cease.

Completed property, plant and equipment will be stated at cost and the component assets will be amortized on a straight line basis over their estimated useful lives.

e) Capital contributions:
Capital contributions from the Province of British Columbia and the BC Transportation Financing Authority (BCTFA) are recorded as contributed surplus.

f) Federal and Provincial taxes:
TI Corp. is exempt from corporate income taxes as well as GST.

g) Use of estimates:
The presentation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from amounts estimated. Items with significant estimates include property, plant and equipment and accounts payable and accrued liabilities.

h) Transaction fees:
Transaction fees incurred in arranging debt are expensed in the year incurred.

i) Future accounting policies:
The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period which is expected to end on March 31, 2012, for TI Corp. The IFRS rules will apply to public companies and other publicly accountable entities however, the Public Sector Accounting Board (PSAB) is currently deliberating on the suitability of IFRS for Government Business Enterprises with the outcome of these deliberations expected in the 2009 calendar year. The impact of the transition to IFRS on the Company's financial statements has yet to be determined.

The CICA has issued a new accounting standard, Goodwill and Intangible Assets, Section 3064 of the CICA Handbook, which replaces Section 3062, Goodwill and Other Intangible Costs and Section 3450, Research and Development Costs. There will be no significant impact on the financial statements of TI Corp.

2. Financial instruments:

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

Credit risk:
Credit risk is the risk that TI Corp. will suffer a loss due to the failure of a counterparty to discharge its obligation. TI Corp. has entered into a derivative product transactions agreement with the British Columbia Minister of Finance under which the Minister, as fiscal agent for TI Corp., may enter into derivative Product Transactions with third parties. Government policy is that derivative transactions are entered into only with counterparties with a rating from Standard and Poor's and Moody's Investors Service Inc. of at least AA-/Aa3 or A+/A1 in the case of Canadian Schedule A banks. The Province also establishes limits on individual counterparty credit exposures and monitors these on a regular basis.

Market risk:
Market risk includes currency risk and interest rate risk.

Currency risk:
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. TI Corp. has managed this risk by entering into a foreign currency derivative contract. This has not been designated as a hedge and so is measured at fair value on the Statement of Financial Position and any gain (loss) is recognized in the Statement of Operations.

Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. TI Corp. is exposed to interest rate risk through its short-term debt, which it expects to renew at maturity. If the amount of short-term debt remains constant, a 1% increase in the interest rate would increase interest costs by $200,000.

Liquidity risk:
Liquidity risk is the risk that TI Corp. will encounter difficulty in meeting obligations associated with its financial liabilities. The Province has guaranteed all payments under the design-build contract for the Port Mann/Highway 1 Project which is currently the most significant obligation of TI Corp. In addition, TI Corp. has received approval to borrow up to $1 billion in Canadian currency, or its equivalent in U.S. currency, under a short-term financing agreement with the Minister of Finance.

3. Plant, property and equipment:

($ 000s)	Cost	Accumulated amortization	Net Book Value 2009
Work in progress	$202,879	nil	$202,879

Work in progress relates to the construction of the Port Mann/Highway 1 Project, which is expected to be completed in 2015. Included in work in progress are financing costs of $176.

4. Land rights:

($ 000s)	Cost	Accumulated amortization	Net Book Value 2009
Land rights	$12,409	nil	$12,409

TI Corp. and BCTFA have agreed that TI Corp. will have access to the lands and highways necessary to the Port Mann/Highway 1 Project under one or more licenses of occupation. Projected payments for these licenses are as follows:

Year ending March 31,	($ 000s)
2010	86,391
2011	76,600
2012	20,400
	183,391

A land rights agreement with BCTFA has yet to be finalized. The cost of these licenses is expected to be amortized over 40 years. Amortization will start when the project is substantially complete.

5. Accounts payable and accrued liabilities:

($ 000s)	2009
Accounts payables and accrued liabilities with related parties	6,352
Ordinary trade payables	97,857
	$104,209

Ordinary trade payables are for capital costs accrued for the Port Mann/Highway 1 Project and are mainly for work done under the design-build contract.

6. Short-term debt:

On March 30, 2009, TI Corp. borrowed the U.S. equivalent of $20 million through its agreement with the Minister of Finance. The effective interest rate was 0.32% with a term of 88 days.

7. Shareholder's equity:

($ 000s)	2009
Share capital	-
Contributed surplus	150,000
	$150,000

Authorized capital under the Transportation Investment (Port Mann Twinning) Amendment Act (2008) is one share with a par value of $100, to be issued to the Minister of Transportation and Infrastructure. No share has been issued. However, payment of $100 was received.

Contributed surplus consists of $100 million received from the Province of British Columbia and work in progress with a cost of $50 million transferred from BCTFA.

8. Contractual Obligations:

TI Corp. has entered into a multi-year design-build agreement for the Port Mann/Highway 1 Project with a fixed price of $2,398 million. Payments to the contractor will be made as work progresses, however maximum annual payments under this agreement are as follows:

Year ending March 31,	($ 000s)
2010	449,000
2011	440,000
2012	422,000
2013	431,000
2014 and beyond	585,000
	2,327,000

9. Capital management:

TI Corp. defines capital as debt and cash and cash equivalents.

Pursuant to Section 24.23(2)(c) of the *Transportation Investment Act (Port Mann Twinning) Amendment Act, 2008*, 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 use of derivative instruments closely, 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 Port Mann/Highway 1 project and ongoing operations. To achieve this objective, Management reviews its capital management approach on an ongoing basis.

Cash in excess of day-to-day operational requirements is invested in interest-bearing bank deposits.

10. Unrealized net foreign exchange gain:

TI Corp. entered into a foreign currency derivative instrument with a notional value of $20 million, maturing on June 26, 2009, to manage the foreign exchange risk associated with its short-term debt. Unrealized net foreign exchange gain represents the difference between a foreign exchange gain of $169,336 on the derivative instrument and a foreign exchange loss of $148,568 on the short-term debt.

11. Related party transactions:

TI Corp. is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Statement of Operations includes the following related party transactions with BCTFA:

($ 000s)	2009
Professional services	1,738

The Statement of Financial Position includes the following related party balances:

($ 000s)	2009
Accounts payable and accrued liabilities	(6,352)

TI Corp. reimbursed BCTFA for non-capital costs incurred by BCTFA for the purpose of negotiating a public-private partnership (P3) agreement for the Port Mann/Highway 1 Project. No such agreement was reached.

TI Corp. also acquired property, plant and equipment in the amount of $62,205,000 from BCTFA and made a prepayment of $12,409,000 to BCTFA for the rights to occupy the land.

12. Contract termination fee:

The fee was paid by TI Corp. to the P3 proponent of the Port Mann/Highway 1 Project when the P3 agreement was not reached.