BC TRANSIT
FIR, Schedule 1, section 9

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents BC Transit Management and has the overall responsibility for the preparation of the financial information included in this report, produced under the Financial Information Act.

Name: Anwar Chaudhry
Title: Vice President of Finance and Chief Financial Officer
Date: July 23, 2017

Prepared pursuant to the Financial Information Regulation, Schedule 1, section 9
BRITISH COLUMBIA TRANSIT
FIR, Schedule 1, section 9

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents the Board of Directors of BC Transit and approves all the statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.

Name: Kevin Mahoney
Title: Chair
Date: July 23, 2014

Prepared pursuant to the Financial Information Regulation, Schedule 1, section 9
<table>
<thead>
<tr>
<th>Debt Issue</th>
<th>Debt Type</th>
<th>Maturity</th>
<th>Rate</th>
<th>Original Currency</th>
<th>ref</th>
<th>Principal</th>
<th>Sinking Fund Book Value</th>
<th>Sinking Fund Market Value</th>
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<td>CA</td>
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<td>5,529,489</td>
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<td>CA</td>
<td></td>
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<td>4,290,717</td>
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<td>5,434,970</td>
<td>5,883,860</td>
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<td>4,494,696</td>
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<td>500.000</td>
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<td>127,233</td>
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<td>1,630,611</td>
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<td>BCCP-139</td>
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<td>7-Oct-28</td>
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<td></td>
<td>7,212.000</td>
<td>1,215,072</td>
<td>1,291,300</td>
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<td>BCCP-143</td>
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<td>2,747.000</td>
<td>454,474</td>
<td>481,642</td>
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<td>22,500.000</td>
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<td>11-Jul-31</td>
<td>4.210%</td>
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<td>6,145,256</td>
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<td>BCCP-167</td>
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<td>417,442</td>
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**Subtotal**

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<th></th>
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<th></th>
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</tr>
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<tbody>
<tr>
<td>NET UNAMORTIZED BOND PREMIUM(DISCOUNT)</td>
<td>(166,977)</td>
<td>(166,977)</td>
<td>(166,977)</td>
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**Totals: Principal / Sinking Fund Balances**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$231,139,974</td>
<td>$88,766,324</td>
<td>$94,126,938</td>
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BC TRANSIT
FIR, Schedule 1, Section 5

SCHEDULE OF GUARANTEES & INDEMNITY AGREEMENTS
FOR YEAR ENDED MARCH 31, 2014

There were no indemnity agreements entered into during the year which required the prior approval of the Minister of Finance or the Director of Risk Management Branch of the Ministry of Finance pursuant to the Guarantees and Indemnities Regulation (B.C. Reg. 258/87).

All agreements were undertaken as a normal part of doing business.
BRITISH COLUMBIA TRANSIT

FIR, Schedule 1, subsection 6(7)

Statement of Severance Agreements
For the Year Ended March 31, 2014

There were 5 severance agreements, representing 7.82 months compensation total, made between BC Transit and its non-unionized employees during the fiscal year 2013/2014.

This statement is produced under the Financial Information Regulation, Schedule 1, Subsection 6(7).
BRITISH COLUMBIA TRANSIT  
FIR, Schedule, Section  
Schedule Showing the Remuneration and Expenses  
Paid In Respect of Each Board Member or Commission Member  
For the Year Ended March 31, 2014  

Elected Officials, Commission Members, and Members of the Board of Directors  

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Remuneration</th>
<th>Total Expenses</th>
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<tbody>
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<td><strong>Members of the Board of Directors:</strong></td>
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<tr>
<td>Mahoney, Kevin</td>
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<td>$23,750</td>
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<tr>
<td>De Clark, Bob</td>
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<td>11,000</td>
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<td>Milobar, Peter</td>
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<td>11,000</td>
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<tr>
<td>Sjostrom, Mary</td>
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<td>10,500</td>
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<tr>
<td><strong>Members of the Commission and Board of Directors:</strong></td>
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<td>Brice, Susan</td>
<td>Chair - Commission</td>
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<td>12,150</td>
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<td><strong>Members of the Commission:</strong></td>
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<tr>
<td>Alto, Marianne</td>
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<td>750</td>
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<tr>
<td>Cross, Larry</td>
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<td>750</td>
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<tr>
<td>Desjardins, Barbara</td>
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<td>750</td>
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<tr>
<td>Fortin, Dean</td>
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<td>900</td>
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<tr>
<td>Leonard, Frank</td>
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<td>750</td>
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**Total Remuneration and Expenses**  
$101,950  $13,826
### BRITISH COLUMBIA TRANSIT

**Schedule Showing the Remuneration and Expenses over $75,000**

**Paid In Respect of Each Employee**

**For the Year Ended March 31, 2014**

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abraham, Eric</td>
<td>96,280</td>
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<td>Achadinha, Manuel**</td>
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<td>12,018</td>
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<td>24,351</td>
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<td>Andrei, Gabriel</td>
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<td>Angus, Joanne</td>
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<td>Arneson, Monty</td>
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<td>Aveyard, Pauline</td>
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<td>Barrett, Howard</td>
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<td>Bell, Gerald</td>
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<td>Bellows, Brian</td>
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<td>Berekoff, Nicolette</td>
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<td>Birk, Damoder</td>
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<td>Birnie, Colin</td>
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<td>2,808</td>
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<td>Boss, James</td>
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<td>9,899</td>
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<td>8,378</td>
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<td>2,016</td>
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<td>Dunning, Tara</td>
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### BRITISH COLUMBIA TRANSIT

**Schedule Showing the Remuneration and Expenses over $75,000 Paid In Respect of Each Employee**

*For the Year Ended March 31, 2014*

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dupuis, Todd</td>
<td>76,656</td>
<td>29,890</td>
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<td>Fletcher, Bob</td>
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<td>Fortier, Clayton</td>
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<td>Frost, Michael</td>
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<td>Gardner, Rodney</td>
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<td>Gatt, Fraser</td>
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<td>Gauvin, Kerry</td>
<td>98,078</td>
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<td>George, Barry</td>
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<td>Gervais, Justin</td>
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<tr>
<td>Gibson, Matthew</td>
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<td>Giles, Michael</td>
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<td>Gill, Amarjit</td>
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BRITISH COLUMBIA TRANSIT

Schedule Showing the Remuneration and Expenses over $75,000
Paid In Respect of Each Employee
For the Year Ended March 31, 2014

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
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</thead>
<tbody>
<tr>
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BRITISH COLUMBIA TRANSIT

Schedule Showing the Remuneration and Expenses over $75,000
Paid In Respect of Each Employee
For the Year Ended March 31, 2014

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
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BRITISH COLUMBIA TRANSIT

Schedule Showing the Remuneration and Expenses over $75,000
Paid In Respect of Each Employee
For the Year Ended March 31, 2014

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winsor, Josephine</td>
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<td><strong>Over 75,000 Remuneration</strong></td>
<td><strong>15,409,795</strong></td>
<td><strong>735,560</strong></td>
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<tr>
<td><strong>Less than 75,000 Remuneration</strong></td>
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<td><strong>461,025</strong></td>
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<tr>
<td><strong>Total Remuneration</strong></td>
<td><strong>57,675,109</strong></td>
<td><strong>1,196,585</strong></td>
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</table>

* Remuneration in 2014 is based on 26 pay period annual cycle. Reported payments in this schedule are based on a paid basis as opposed to the year earned. Includes banked time payouts such as overtime and annual vacation.

** Please refer to Executive Compensation Disclosure on BC Transit’s website for executive compensation that is presented on an earned basis (2014 $327,559/2013 $332,779).
BRITISH COLUMBIA TRANSIT  
FIR, Schedule 1, section 6  
Schedule showing the Remuneration and Expenses over $75,000  
Paid In Respect of each Employee (Reconciliation)  
For the Year Ended March 31, 2014

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<th>Reconciliation</th>
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<th>Expenses</th>
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<td>Employees' Total Remuneration</td>
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<tr>
<td>Employer Portion CPP And EI</td>
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<tr>
<td>Total Remuneration</td>
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### BRITISH COLUMBIA TRANSIT
#### Part II FIR, Schedule 1, section 7
#### Alphabetical List of Suppliers who Received Aggregate Payments
#### In Excess of $25,000
#### Year ended March 31, 2014

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<th>Aggregate Amount Paid</th>
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<td>A.C.E. COURIER</td>
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<tr>
<td>ABC TRANSMISSIONS</td>
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<td>ACME SUPPLIES LTD</td>
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<td>ADDING RESULTS</td>
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<td>AIR LIQUIDE CANADA</td>
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<td>AMEC</td>
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<td>ARROW &amp; SLOCAN LAKES COMMUNITY</td>
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<td>CITY OF KELOWNA</td>
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<td>JOHN VANDER VEEN TRUCKING</td>
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<td>Vendor Name</td>
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<td>PREVOST CAR INC.</td>
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<td>THE LAKERS' GO BUS SOCIETY</td>
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<td>TONY SHARP</td>
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<td>UNITED WAY</td>
<td>26,285</td>
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</table>
## BRITISH COLUMBIA TRANSIT
### Part II FIR, Schedule 1, section 7
### Alphabetical List of Suppliers who Received Aggregate Payments In Excess of $25,000
### Year ended March 31, 2014

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Aggregate Amount Paid</th>
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<tbody>
<tr>
<td>UNIVERSITY OF VICTORIA</td>
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<td>VICTORIA TAXI</td>
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<td>WESTERN SCALE CO. LTD</td>
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<td>WESTERN STAR &amp; STERLING TRUCKS OF VANCOUVER INC.</td>
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<td>WESTERNONE RENTALS AND SALES</td>
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<td>WESTVAC INDUSTRIAL LTD</td>
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<td>WHEATON CHEVROLET BUICK</td>
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<td>WILSON'S TRANSPORTATION LTD.</td>
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<td>WORKSAFE BC</td>
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<td>YELLOWHEAD COMMUNITY SERVICES</td>
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</tbody>
</table>

Consolidated Total Of Payments In Excess Of $25,000 Paid To Suppliers: 241,491,206

Consolidated Total Of Payments Less Than $25,000 Paid To Suppliers: 3,808,732

Total Aggregate Payments Made To Suppliers Per Accounts Payable Ledger: 245,299,938
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<td><strong>Vendor Payments not on Statement of Operations:</strong></td>
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<tr>
<td>Amounts paid to vendors on Capital Assets and WIP  (54,435,918)</td>
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<tr>
<td>Other Timing Differences Between Cash Disbursements &amp; the Accrual Basis of Accounting (4,255,611)</td>
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<tr>
<td><strong>Total</strong></td>
<td>(58,691,529)</td>
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<tr>
<td><strong>Expense Items not in 13/14 vendor analysis</strong></td>
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<tr>
<td>Employee Net Pay via Payroll 35,682,590</td>
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<tr>
<td>Amortization 60,596,000</td>
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<tr>
<td>Debt service 10,794,000</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>107,074,590</td>
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<tr>
<td><strong>Total</strong></td>
<td>$293,682,999</td>
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<td><strong>BC Transit Statement of operations:</strong></td>
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<tr>
<td>Operations $222,642,000</td>
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<tr>
<td>Maintenance 46,609,000</td>
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<tr>
<td>Administration 24,432,000</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td>$293,683,000</td>
</tr>
</tbody>
</table>
Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2014
MANAGEMENT REPORT
Year ended March 31, 2014

The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia except in regard to the accounting for government transfers which is based on the Restricted Contributions Regulation 198/2011.

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 22, 2014.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The consolidated financial statements have been examined by the Auditor General of British Columbia, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

[Signatures]
Manuel Achenha
President and Chief Executive Officer
Date: May 22, 2014

Anwar Chaudhry, CPA, CA
Vice President, Finance and Chief Financial Officer
Date: May 22, 2014
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of British Columbia Transit, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of change in net debt, consolidated statement of remeasurement gains and losses and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 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 consolidated financial statements of British Columbia Transit for the year ended March 31, 2014, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter
Without modifying my opinion, I draw attention to Note 2(a) to the consolidated financial statements which discloses that the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 18 to the consolidated financial statements discloses the impact of these differences.

Victoria, British Columbia
May 22, 2014

Russ Jones, MBA, CA
Auditor General
BRITISH COLUMBIA TRANSIT
Consolidated Statement of Financial Position
(in thousands of dollars)

March 31, 2014, with comparative information for March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (note 3)</td>
<td>$40,706</td>
<td>$69,878</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial and federal capital grants</td>
<td>5,086</td>
<td>1,056</td>
</tr>
<tr>
<td>Local government</td>
<td>14,580</td>
<td>12,905</td>
</tr>
<tr>
<td>Trade and other</td>
<td>5,706</td>
<td>7,585</td>
</tr>
<tr>
<td>Debt sinking funds (note 6)</td>
<td>94,127</td>
<td>85,429</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>160,207</td>
<td>176,853</td>
</tr>
</tbody>
</table>

| **LIABILITIES** |        |        |
| Accounts payable and accrued liabilities | 33,443 | 31,955 |
| Provincial funding payable | 1,415 | 5,162 |
| Deferred contributions (note 4) | 8,749 | 6,622 |
| Deferred capital contributions (note 5) | 805,787 | 807,748 |
| Debt (note 6) | 231,140 | 240,706 |
| Employee future benefits (note 7) | 17,080 | 14,963 |
| **Total** | 1,097,614 | 1,107,356 |

| **NET DEBT** | (637,407) | (930,503) |

| **NON FINANCIAL ASSETS** |        |        |
| Tangible capital assets (note 8) | 300,713 | 304,496 |
| Tangible capital assets under lease (note 9) | 680,194 | 672,676 |
| Inventories | 8,987 | 8,335 |
| Prepaid expenses | 1,340 | 1,223 |
| Prepaid lease payments | 3,824 | 4,041 |
| **Total** | 995,058 | 990,771 |

| **ACCUMULATED SURPLUS** |        |        |
| Accumulated operating surplus | 52,290 | 52,131 |
| Accumulated remeasurement gains | 5,361 | 8,137 |
| **Total** | $57,651 | $60,268 |

Commitments and contingencies (notes 11 and 12)

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

Approved on behalf of the Board:

Kevin Mahoney, Chair
May 22, 2014

Kelly Cains, Director
May 22, 2014
## BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations  
(In thousands of dollars)  
Years ended March 31, 2014, with comparative information for March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>$ 69,877</td>
<td>$ 69,192</td>
<td>$ 67,944</td>
</tr>
<tr>
<td>Government transfers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial (note 13)</td>
<td>101,761</td>
<td>95,415</td>
<td>89,013</td>
</tr>
<tr>
<td>Local government (note 13)</td>
<td>88,401</td>
<td>84,984</td>
<td>76,312</td>
</tr>
<tr>
<td>Deferred capital contributions (note 13)</td>
<td>33,202</td>
<td>38,746</td>
<td>28,805</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,329</td>
<td>5,219</td>
<td>4,152</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>297,570</td>
<td>293,556</td>
<td>286,226</td>
</tr>
<tr>
<td><strong>Expenses: (note 14)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>225,466</td>
<td>222,642</td>
<td>201,116</td>
</tr>
<tr>
<td>Maintenance</td>
<td>48,235</td>
<td>46,609</td>
<td>42,933</td>
</tr>
<tr>
<td>Administration</td>
<td>23,869</td>
<td>24,432</td>
<td>22,390</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>297,570</td>
<td>293,683</td>
<td>286,439</td>
</tr>
<tr>
<td><strong>Net (loss) from operations</strong></td>
<td></td>
<td>(127)</td>
<td>(213)</td>
</tr>
</tbody>
</table>

### Other:

**Vancouver Assets:**
- Deferred capital contributions (note 5) | 14,773 | 14,581 | 14,340 |
- Amortization expense (note 9) | (14,773) | (15,010) | (14,769) |
- Gain (loss) on disposal of capital assets | - | 16 | (370) |
- Gain on investments | - | 706 | 587 |
- Foreign exchange loss | - | (7) | (9) |

**Total Other** | - | 286 | (221) |

**Surplus (deficit) for the year** | - | 159 | (434) |

**Accumulated operating surplus, beginning of year** | 52,131 | 52,131 | 52,565 |

**Accumulated operating surplus, end of year** | $ 52,131 | $ 52,290 | $ 52,131 |

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

Consolidated Statement of Change in Net Debt
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (deficit) for the year</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Acquisition of tangible capital assets</td>
<td>(109,424)</td>
<td>(79,413)</td>
<td>(47,631)</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>69,825</td>
<td>75,608</td>
<td>62,508</td>
</tr>
<tr>
<td>(Gain) on sale of tangible capital assets</td>
<td>-</td>
<td>(16)</td>
<td>370</td>
</tr>
<tr>
<td>Proceeds on sale of tangible capital assets and assets under lease</td>
<td>-</td>
<td>86</td>
<td>253</td>
</tr>
<tr>
<td></td>
<td>(39,599)</td>
<td>(3,576)</td>
<td>15,086</td>
</tr>
<tr>
<td>Acquisition of inventories of parts</td>
<td>-</td>
<td>(27,380)</td>
<td>(23,807)</td>
</tr>
<tr>
<td>Consumption of inventories of parts</td>
<td>-</td>
<td>26,728</td>
<td>23,638</td>
</tr>
<tr>
<td>Acquisition of prepaid expenses</td>
<td>-</td>
<td>(5,435)</td>
<td>(4,345)</td>
</tr>
<tr>
<td>Consumption of prepaid expenses</td>
<td>-</td>
<td>5,318</td>
<td>5,013</td>
</tr>
<tr>
<td>Acquisition of prepaid leases</td>
<td>-</td>
<td>(1,223)</td>
<td>(1,937)</td>
</tr>
<tr>
<td>Consumption of prepaid leases</td>
<td>-</td>
<td>1,440</td>
<td>1,422</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(552)</td>
<td>(16)</td>
</tr>
<tr>
<td>Realized (gain) reclassified to operations</td>
<td>-</td>
<td>(699)</td>
<td>(254)</td>
</tr>
<tr>
<td>Unrealized (loss) on portfolio investment</td>
<td>-</td>
<td>(2,077)</td>
<td>1,885</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(2,776)</td>
<td>1,631</td>
</tr>
<tr>
<td>Change in net debt</td>
<td>(39,599)</td>
<td>(6,904)</td>
<td>16,681</td>
</tr>
<tr>
<td>Net debt, beginning of year</td>
<td>(930,503)</td>
<td>(930,503)</td>
<td>(947,184)</td>
</tr>
<tr>
<td>Net debt, end of year</td>
<td>$ (970,102)</td>
<td>$ (937,407)</td>
<td>$ (930,503)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements
<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated remeasurement gains and (losses), beginning of year</td>
<td>$ 8,137</td>
<td>$ 6,506</td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments</td>
<td>(2,077)</td>
<td>1,885</td>
</tr>
<tr>
<td>Realized (gain) on investments, reclassified to Consolidated Statement of</td>
<td>(699)</td>
<td>(254)</td>
</tr>
<tr>
<td>Operations (Gain on investments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated remeasurement gains and (losses), end of year</td>
<td>$ 5,361</td>
<td>$ 8,137</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
The accompanying notes are an integral part of these consolidated financial statements.
BRITISH COLUMBIA TRANSIT
Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended March 31, 2014

1. Nature of Operations:

British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1996, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. BC Transit is exempt from income taxes under the Income Tax Act.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. These funds held in trust are excluded from the consolidated financial statements and are summarized in note 10.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

Regulation 198/2011 requires that restricted contributions be recognized as revenue in the period the restriction the contribution is subject to is met, and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset, be recognized in revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in Deferred Contributions, Deferred Capital Contributions and Accumulated Operating Surplus on the Consolidated Statements of Financial Position, and the Government transfers revenue and Annual Surplus on the Statement of Operations.

(b) Basis of accounting:

BC Transit follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.
2. Significant accounting policies (continued):
   (c) Future accounting policy changes:
      (i) Liability for contaminated sites:

      In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* effective for April 1, 2014. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the section are as follows:

      - A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
      - A liability should be measured at the entity’s best estimate of the costs directly attributable to remediation of the contamination; and
      - Outstanding site assessments do not negate the requirement to assess whether a liability exists.

      Effective April 1, 2014 management adopted this standard.

   (d) Basis of consolidation:

      (i) Consolidated entities

      The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

      The following inactive organizations are controlled by BC Transit and are fully consolidated in these financial statements:

      TBC Vehicle Management Inc.
      TBC Operations Inc.
      TBC Properties Inc.
      091586 B.C. Ltd.
      0922697 B.C. Ltd.
      0925406 B.C. Ltd.
      0928624 B.C. Ltd.

   (e) Deferred contributions and revenue recognition:

      Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund and interest payments.

      Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:
2. Significant accounting policies (continued):

(e) Deferred contributions and revenue recognition (continued):

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

See note 18 for the impact of this regulation on these consolidated financial statements.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.

(g) Financial instruments:

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. Forward contracts to purchase fuel for BC Transit's normal use are not recognized as financial assets in these financial statements and do not need to be fair valued. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available, and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.
2. Significant accounting policies (continued):

(g) Financial instruments (continued):

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short-term cash commitments rather than for investing, are reported at fair value and measured using a Level 1 valuation.

(ii) Accounts receivable:

Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds:

Investments in sinking fund balances consist of pooled investment portfolios and Canadian, Provincial government and Crown Corporation bonds managed by the British Columbia Investment Management Corporation ("bcIMC"), a corporation established under the Public Sector Pension Plans Act. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iv) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost.
2. Significant accounting policies (continued):

   (h) Employee future benefits:

      (i) BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer defined benefit plan, together with other British Columbia public service employers, in accordance with the Public Sector Pension Plans Act. The plan provides a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over 5 years. Inflation adjustments are contingent upon available funding.

      Multi-employer defined benefit plans follow defined contribution pension plan accounting. Contributions to the plan are recorded as an expense in the year they are made. The joint trustee board of the plan determines the required plan contributions annually. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability for funding purposes, if any, as a constant percentage of employer payrolls.

      Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2011, indicated a deficit of $275,401 for basic pension benefits for all plan employers including BC Transit. The actuary does not attribute portions of the deficit to individual employers.

      Total cash payments to the multi-employer plan for employee future benefits for the year ended March 31, 2014 consisting of cash contributed by BC Transit to its multi-employer defined benefit plan was $4,708 (2012/13 - $4,436)

      (ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligation under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2014.

      (i) Non-financial assets:

      Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.
2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Indefinite – not amortized</td>
</tr>
<tr>
<td>Exchanges, shelters, and other transit infrastructure</td>
<td>3 – 40</td>
</tr>
<tr>
<td>Buildings</td>
<td>5 – 40</td>
</tr>
<tr>
<td>Vehicles – including major components</td>
<td>2 – 20</td>
</tr>
<tr>
<td>Hydrogen components and chassis (note 8)</td>
<td>4 – 10</td>
</tr>
<tr>
<td>Hydrogen fuelling station (note 8)</td>
<td>5</td>
</tr>
<tr>
<td>Equipment and other capital assets</td>
<td>4 – 20</td>
</tr>
</tbody>
</table>

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry to deferred capital contributions. Tangible capital assets are amortized over their estimated useful lives.

(iii) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

(iv) Leased tangible capital assets (Vancouver Assets):

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>SkyTrain – transit infrastructure</td>
<td>20 – 100</td>
</tr>
<tr>
<td>SkyTrain buildings</td>
<td>20</td>
</tr>
<tr>
<td>West Coast Express – transit infrastructure</td>
<td>30</td>
</tr>
</tbody>
</table>

(v) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.
2. Significant accounting policies (continued):

   (i) Non-financial assets (continued):

   (vi) Impairment of tangible capital assets:

   BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

   (vii) Intangibles:

   Intangible assets are not recognized in BC Transit financial statements.

   (j) Measurement uncertainty:

   The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

   Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

   (k) Budget data:

   The budget data presented in these consolidated financial statements was included in the Revised 2013/14 – 2015-16 Service Plans tabled with the June 2013 Budget Update and approved by the Board of Directors on July 24, 2013.

3. Cash and cash equivalents:

   Major components of cash and cash equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 9,785</td>
<td>$ 8,872</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>28,043</td>
<td>61,006</td>
</tr>
<tr>
<td>Restricted cash equivalents (note 19 &amp; 20)</td>
<td>2,878</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 40,706</td>
<td>$ 69,876</td>
</tr>
</tbody>
</table>
4. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from local government partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

The deferred contributions, reported on the consolidated statement of financial position, are made up of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred funding</td>
<td>$3,660</td>
<td>$1,876</td>
</tr>
<tr>
<td>Deferred local contributions</td>
<td>5,089</td>
<td>4,946</td>
</tr>
<tr>
<td><strong>Total deferred contributions</strong></td>
<td><strong>$8,749</strong></td>
<td><strong>$6,822</strong></td>
</tr>
</tbody>
</table>

Continuity of deferred contributions is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$6,822</td>
<td>$7,347</td>
</tr>
<tr>
<td>Contributions from local governments – Victoria Regional</td>
<td>37,859</td>
<td>33,320</td>
</tr>
<tr>
<td>Contributions from other local governments</td>
<td>49,052</td>
<td>42,467</td>
</tr>
<tr>
<td></td>
<td>93,733</td>
<td>83,134</td>
</tr>
<tr>
<td>Deferred local contributions used</td>
<td>(84,984)</td>
<td>(76,312)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$8,749</td>
<td>$6,822</td>
</tr>
</tbody>
</table>

5. Deferred capital contributions:

The deferred capital contributions, reported on the consolidated statement of financial position, are made up of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred capital contributions</td>
<td>$177,227</td>
<td>$187,135</td>
</tr>
<tr>
<td>Deferred capital contributions - Vancouver Assets</td>
<td>628,560</td>
<td>620,613</td>
</tr>
<tr>
<td><strong>Total deferred capital contributions</strong></td>
<td><strong>$805,787</strong></td>
<td><strong>$807,748</strong></td>
</tr>
</tbody>
</table>
5. Deferred capital contributions (continued):

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$187,135</td>
<td>$193,366</td>
</tr>
<tr>
<td>Contributions and other additions</td>
<td>28,838</td>
<td>22,574</td>
</tr>
<tr>
<td>Amortization</td>
<td>(38,746)</td>
<td>(28,805)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>177,227</td>
<td>187,135</td>
</tr>
</tbody>
</table>

Capital assets under lease (Vancouver Assets):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>620,613</td>
<td>628,195</td>
</tr>
<tr>
<td>Contributions and other additions</td>
<td>22,528</td>
<td>6,758</td>
</tr>
<tr>
<td>Amortization</td>
<td>(14,581)</td>
<td>(14,340)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>628,560</td>
<td>620,613</td>
</tr>
</tbody>
</table>

Total deferred capital contributions $805,787 $807,748

6. Debt:

BC Transit’s debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the British Columbia Transit Act, BC Transit is subject to a borrowing ceiling limit of $500 million in total. The Minister of Finance, as BC Transit’s fiscal agent, arranges financing at BC Transit’s request.

The gross amount of debt and the amount of sinking fund assets available to retire the debt are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinking fund bonds, weighted average interest rate of 4.60%, maturing at various dates to 2040, amortized from 5 to 30 years</td>
<td>$231,140</td>
<td>$240,706</td>
</tr>
</tbody>
</table>

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Investment income includes $517 (2013 - $157) of realized gains on disposition of investments in sinking funds.
BRITISH COLUMBIA TRANSIT
Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

6. Debt (continued):

Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Market value</th>
<th>2013</th>
<th>Market value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td></td>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$5,984</td>
<td>$5,984</td>
<td>$5,322</td>
<td>$5,324</td>
</tr>
<tr>
<td>Provincial bonds</td>
<td>82,782</td>
<td>88,143</td>
<td>72,380</td>
<td>80,105</td>
</tr>
<tr>
<td>Total</td>
<td>$88,766</td>
<td>$94,127</td>
<td>$77,702</td>
<td>$85,429</td>
</tr>
</tbody>
</table>

The total debt maturities for the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$19,275</td>
</tr>
<tr>
<td>2016</td>
<td>25,595</td>
</tr>
<tr>
<td>2017</td>
<td>6,378</td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>11,200</td>
</tr>
<tr>
<td>Thereafter</td>
<td>168,879</td>
</tr>
</tbody>
</table>

Debt sinking fund installments in each of the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$15,284</td>
</tr>
<tr>
<td>2016</td>
<td>12,638</td>
</tr>
<tr>
<td>2017</td>
<td>8,005</td>
</tr>
<tr>
<td>2018</td>
<td>6,780</td>
</tr>
<tr>
<td>2019</td>
<td>6,083</td>
</tr>
<tr>
<td>Thereafter</td>
<td>37,863</td>
</tr>
</tbody>
</table>
7. Employee future benefits:
   Information about BC Transit's benefit plans is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-pension post retirement benefits</td>
<td>$19,328</td>
<td>$16,307</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>400</td>
<td>432</td>
</tr>
<tr>
<td>Continuation of long term disability benefits</td>
<td>1,616</td>
<td>1,389</td>
</tr>
<tr>
<td><strong>Total liability for benefits</strong></td>
<td><strong>$21,344</strong></td>
<td><strong>$18,128</strong></td>
</tr>
</tbody>
</table>

The employee future benefits liability reported on the statement of financial position is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$14,863</td>
<td>$13,448</td>
</tr>
<tr>
<td>Current benefit cost and event-driven expense</td>
<td>1,458</td>
<td>1,305</td>
</tr>
<tr>
<td>Interest</td>
<td>582</td>
<td>572</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>295</td>
<td>85</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(218)</td>
<td>(447)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td><strong>17,080</strong></td>
<td><strong>14,963</strong></td>
</tr>
</tbody>
</table>

Unamortized actuarial loss (gain)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability for benefits</td>
<td>$21,344</td>
<td>$18,128</td>
</tr>
</tbody>
</table>

Included in expenses is $295 (2013 – $85) for amortization of the actuarial loss.

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 10 years for post employment benefits and 11 years for post retirement benefits.

The actuarial assumptions adopted in measuring BC Transit’s accrued benefit obligations are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2.9% - 3.6%</td>
<td>2.6% - 3.3%</td>
</tr>
<tr>
<td>Expected future inflationary increases</td>
<td>2.6% - 5.15%</td>
<td>2.6% - 5.15%</td>
</tr>
<tr>
<td>Weighted average health care trend - end of year</td>
<td>6.88% in 2014 grading to 4.50% in and after 2029</td>
<td></td>
</tr>
<tr>
<td>Dental and MSP trend – end of year</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>
BRITISH COLUMBIA TRANSIT
Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets:

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,608</td>
<td>-</td>
<td>-</td>
<td>$2,608</td>
</tr>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>22,313</td>
<td>5,881</td>
<td>-</td>
<td>28,194</td>
</tr>
<tr>
<td>Buildings</td>
<td>42,441</td>
<td>7,281</td>
<td>-</td>
<td>49,722</td>
</tr>
<tr>
<td>Vehicles</td>
<td>374,639</td>
<td>31,442</td>
<td>(16,828)</td>
<td>389,253</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>52,648</td>
<td>-</td>
<td>(40,868)</td>
<td>11,780</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>9,810</td>
<td>-</td>
<td>(9,810)</td>
<td>-</td>
</tr>
<tr>
<td>Other equipment</td>
<td>39,007</td>
<td>3,223</td>
<td>(22)</td>
<td>42,208</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>52,555</td>
<td>56,885</td>
<td>(47,827)</td>
<td>61,613</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$596,021</strong></td>
<td><strong>104,712</strong></td>
<td><strong>(115,355)</strong></td>
<td><strong>$585,378</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Disposals</th>
<th>Amortization expense</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>$4,468</td>
<td>-</td>
<td>1,860</td>
<td>$6,128</td>
</tr>
<tr>
<td>Buildings</td>
<td>19,237</td>
<td>-</td>
<td>1,854</td>
<td>21,091</td>
</tr>
<tr>
<td>Vehicles</td>
<td>208,149</td>
<td>(16,759)</td>
<td>34,198</td>
<td>225,588</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>30,361</td>
<td>(40,868)</td>
<td>15,510</td>
<td>5,003</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>6,370</td>
<td>(9,810)</td>
<td>3,440</td>
<td>-</td>
</tr>
<tr>
<td>Other equipment</td>
<td>22,940</td>
<td>(21)</td>
<td>3,936</td>
<td>26,855</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$291,525</strong></td>
<td><strong>(87,458)</strong></td>
<td><strong>60,598</strong></td>
<td><strong>$284,665</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$2,608</td>
<td>$2,608</td>
</tr>
<tr>
<td>Exchanges, shelters, and other transit infrastructure</td>
<td>17,845</td>
<td>22,066</td>
</tr>
<tr>
<td>Buildings</td>
<td>23,204</td>
<td>28,831</td>
</tr>
<tr>
<td>Vehicles</td>
<td>166,490</td>
<td>163,885</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>22,287</td>
<td>6,777</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>3,440</td>
<td>-</td>
</tr>
<tr>
<td>Other equipment</td>
<td>16,067</td>
<td>15,353</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>52,555</td>
<td>61,613</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$304,496</strong></td>
<td><strong>$300,713</strong></td>
</tr>
</tbody>
</table>
8. Tangible capital assets (continued):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 2,608</td>
<td>-</td>
<td>- $ 2,608</td>
</tr>
<tr>
<td>Exchanges, shelters and other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>transit infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>16,259</td>
<td>6,054</td>
<td>22,313</td>
</tr>
<tr>
<td>Vehicles</td>
<td>42,074</td>
<td>367</td>
<td>42,441</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>397,486</td>
<td>13,625</td>
<td>(6,472) 374,639</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>52,648</td>
<td>-</td>
<td>52,648</td>
</tr>
<tr>
<td>Other equipment</td>
<td>9,810</td>
<td>-</td>
<td>9,810</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>35,172</td>
<td>3,835</td>
<td>39,007</td>
</tr>
<tr>
<td>Total</td>
<td>$ 561,620</td>
<td>$ 64,754</td>
<td>$ (30,353) 596,021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchanges, shelters and other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>transit infrastructure</td>
<td>$ 3,312</td>
<td>$ 1,156</td>
<td>$ 4,468</td>
</tr>
<tr>
<td>Buildings</td>
<td>17,727</td>
<td>1,510</td>
<td>19,237</td>
</tr>
<tr>
<td>Vehicles</td>
<td>183,206</td>
<td>(5,899)</td>
<td>208,149</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>21,009</td>
<td>- 9,352</td>
<td>30,361</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>4,408</td>
<td>1,962</td>
<td>6,370</td>
</tr>
<tr>
<td>Other equipment</td>
<td>20,023</td>
<td>2,917</td>
<td>22,940</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 249,685</td>
<td>$ (5,899)</td>
<td>$ 47,739 291,525</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 2,608</td>
<td>$ 2,608</td>
</tr>
<tr>
<td>Exchanges, shelters and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>transit infrastructure</td>
<td>12,947</td>
<td>17,845</td>
</tr>
<tr>
<td>Buildings</td>
<td>24,347</td>
<td>23,204</td>
</tr>
<tr>
<td>Vehicles</td>
<td>184,280</td>
<td>166,490</td>
</tr>
<tr>
<td>Hydrogen components and chassis</td>
<td>31,639</td>
<td>22,287</td>
</tr>
<tr>
<td>Hydrogen fuel station</td>
<td>5,402</td>
<td>3,440</td>
</tr>
<tr>
<td>Other equipment</td>
<td>15,149</td>
<td>16,067</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>35,563</td>
<td>52,555</td>
</tr>
<tr>
<td>Total</td>
<td>$ 311,935</td>
<td>$ 304,466</td>
</tr>
</tbody>
</table>
8. Tangible capital assets (continued):
Assets under construction having a value of $61,613 (2013 - $62,555) have not been amortized. Amortization of these assets will commence when the asset is available for service.


During the year, $71 (2013 - $573) of equipment was recognized as a write-down when equipment was removed from service.

Interest capitalized for capital projects in 2014 was $1,424 (2013 - $566).

9. Tangible capital assets under lease:
Capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease and represent one of the Province's contributions toward public transportation in the Metro Vancouver service area.

The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways or system improvements include a nominal lease fee amount and expire in 2018 and 2015, respectively. The Expo lease has an available five-year renewal period.

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SkyTrain</td>
<td>$1,204,048</td>
<td>$3,793</td>
<td>$-</td>
<td>$1,207,841</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>128,848</td>
<td>-</td>
<td>-</td>
<td>128,848</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>6,758</td>
<td>22,526</td>
<td>(3,793)</td>
<td>25,493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,339,654</strong></td>
<td><strong>$26,321</strong></td>
<td><strong>(3,793)</strong></td>
<td><strong>$1,362,182</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Amortization expense</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SkyTrain</td>
<td>$592,180</td>
<td>$10,715</td>
<td>$602,895</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>74,798</td>
<td>4,295</td>
<td>79,093</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$686,978</strong></td>
<td><strong>$15,010</strong></td>
<td><strong>$681,988</strong></td>
</tr>
</tbody>
</table>
BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year ended March 31, 2014

9. Tangible capital assets under lease (continued):

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2013</th>
<th>Balance, March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SkyTrain</td>
<td>$ 611,868</td>
<td>$ 604,946</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>54,050</td>
<td>49,755</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>6,758</td>
<td>25,493</td>
</tr>
<tr>
<td>Total</td>
<td>$ 672,678</td>
<td>$ 680,194</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SkyTrain</td>
<td>$ 1,204,098</td>
<td>$ 1,204,048</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>128,848</td>
<td>128,848</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>6,758</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,332,946</td>
<td>$ 1,339,854</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SkyTrain</td>
<td>$ 581,708</td>
<td>$ 592,180</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>70,501</td>
<td>74,798</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 652,209</td>
<td>$ 666,978</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SkyTrain</td>
<td>$ 622,390</td>
<td>$ 611,868</td>
</tr>
<tr>
<td>West Coast Express</td>
<td>58,347</td>
<td>54,050</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>6,758</td>
</tr>
<tr>
<td>Total</td>
<td>$ 680,737</td>
<td>$ 672,676</td>
</tr>
</tbody>
</table>

10. Victoria Regional Transit Commission:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the consolidated statement of financial position. The cash held in trust and transactions during the year are as follows:
10. Victoria Regional Transit Commission (continued):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash held in trust, beginning of year</td>
<td>$ 8,461</td>
<td>$ 4,761</td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel tax</td>
<td>11,688</td>
<td>11,855</td>
</tr>
<tr>
<td>Property tax</td>
<td>28,131</td>
<td>24,940</td>
</tr>
<tr>
<td>Interest earned</td>
<td>148</td>
<td>475</td>
</tr>
<tr>
<td>Government transfers</td>
<td>(38,034)</td>
<td>(33,570)</td>
</tr>
<tr>
<td>Cash held in trust, end of year</td>
<td>$ 10,394</td>
<td>$ 8,461</td>
</tr>
</tbody>
</table>

11. Commitments:

BC Transit has outstanding commitments as summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>$ 1,294</td>
<td>$ 1,350</td>
<td>$ 1,396</td>
<td>$ 1,399</td>
<td>$ 1,560</td>
</tr>
<tr>
<td>Facilities</td>
<td>14,120</td>
<td>131</td>
<td>131</td>
<td>131</td>
<td>131</td>
</tr>
<tr>
<td>Vehicle purchases</td>
<td>20,408</td>
<td>12,475</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed price fuel</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>commitments</td>
<td>6,329</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Information technology</td>
<td>1,131</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 43,282</td>
<td>$ 14,206</td>
<td>$ 1,777</td>
<td>$ 1,780</td>
<td>$ 1,691</td>
</tr>
</tbody>
</table>

12. Contingent liabilities:

The nature of BC Transit’s activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2014 management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.
### 13. Government transfers:

The transfers reported on the statement of operations are:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial grants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 95,415</td>
<td>$ 89,013</td>
</tr>
<tr>
<td></td>
<td>95,415</td>
<td>89,013</td>
</tr>
<tr>
<td>Deferred Capital Contributions</td>
<td>38,364</td>
<td>28,680</td>
</tr>
<tr>
<td></td>
<td>133,779</td>
<td>117,693</td>
</tr>
<tr>
<td>Federal grants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Capital Contributions</td>
<td>382</td>
<td>125</td>
</tr>
<tr>
<td>Local government contributions:</td>
<td>Transfers under cost share agreements</td>
<td>84,984</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 219,145</td>
<td>$ 194,130</td>
</tr>
</tbody>
</table>

### 14. Classification of expense by object:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted salaries, wages and benefits</td>
<td>$ 75,721</td>
<td>$ 74,695</td>
<td>$ 71,028</td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>69,001</td>
<td>67,991</td>
<td>63,893</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>55,052</td>
<td>60,698</td>
<td>47,740</td>
</tr>
<tr>
<td>Fuel and lubricants</td>
<td>33,207</td>
<td>30,325</td>
<td>28,671</td>
</tr>
<tr>
<td>Fleet Maintenance</td>
<td>24,504</td>
<td>23,569</td>
<td>22,732</td>
</tr>
<tr>
<td>Interest</td>
<td>11,551</td>
<td>10,794</td>
<td>11,045</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,314</td>
<td>5,384</td>
<td>4,360</td>
</tr>
<tr>
<td>Leases and taxes</td>
<td>3,082</td>
<td>2,501</td>
<td>2,479</td>
</tr>
<tr>
<td>Major projects and initiatives</td>
<td>6,200</td>
<td>3,397</td>
<td>1,538</td>
</tr>
<tr>
<td>Local government expenses</td>
<td>2,035</td>
<td>2,020</td>
<td>1,957</td>
</tr>
<tr>
<td>Marketing and communications</td>
<td>2,042</td>
<td>1,874</td>
<td>1,846</td>
</tr>
<tr>
<td>Taxi programs</td>
<td>1,745</td>
<td>1,776</td>
<td>1,703</td>
</tr>
<tr>
<td>Facility maintenance</td>
<td>3,193</td>
<td>2,712</td>
<td>2,518</td>
</tr>
<tr>
<td>Information systems</td>
<td>2,144</td>
<td>2,224</td>
<td>1,805</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>1,709</td>
<td>1,500</td>
<td>1,381</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,003</td>
<td>1,540</td>
<td>1,047</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>1,057</td>
<td>763</td>
<td>696</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$ 297,570</td>
<td>$ 283,683</td>
<td>$ 266,439</td>
</tr>
</tbody>
</table>
15. Additional information for the Statement of cash flows:

<table>
<thead>
<tr>
<th>Non-cash charges to operations:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of debt discount</td>
<td>$38</td>
<td>$41</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>75,608</td>
<td>62,508</td>
</tr>
<tr>
<td>Amortization of prepaid lease</td>
<td>1,440</td>
<td>1,422</td>
</tr>
<tr>
<td>Loss (Gain) on sale of tangible capital assets</td>
<td>(16)</td>
<td>370</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>(53,327)</td>
<td>(43,145)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,743</strong></td>
<td><strong>$21,196</strong></td>
</tr>
</tbody>
</table>

16. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value. The fair value of long-term debt at March 31, 2014 is $231,140 (2013 - $240,706).

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.
16. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

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 is comprised of commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit’s fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the British Columbia Transit Act to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. Management entered into a fixed price physical supply contract during the year for operational purposes fixing certain fuel purchases during fiscal 2014 as described in note 11.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. BC Transit is exposed to interest rate risk to the extent of changes in the prime interest rate. BC Transit may from time to time enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.

Foreign exchange risk:

BC Transit is exposed to currency risk on purchases and loans denominated in the U.S dollar. BC Transit periodically makes commitments to acquire certain capital assets, primarily transit vehicles, from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements outstanding as at March 31, 2014.
16. Financial Instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

Sensitivity analysis:

The following table is a sensitivity analysis indicating the impact on net revenue (expenditures) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

| % change |
|-----------------|---|
| Interest rate risk | $107 |
| Foreign exchange risk | 500 |

Liquidity risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long term debt is disclosed in note 6. Other commitments with future minimum payments are disclosed in note 11.

Credit risk:

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management’s opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.

(c) Capital disclosures:

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these operating and capital funds from Federal, Provincial or from municipal government partners.

BC Transit’s objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.
BRITISH COLUMBIA TRANSIT
Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

16. Financial instruments (continued):
   (c) Capital disclosures (continued):

   BC Transit is not subject to debt covenants or other restrictions with respect to operating
   funding. Funding received for designated purposes must be used for the purpose outlined by
   the funding party. BC Transit has complied with the external restrictions on any external
   funding provided.

17. Related party transactions:

   As a Crown Corporation of the Province, BC Transit and the Province are considered related
   parties. All transactions between BC Transit and the Province are considered to possess
   commercial substance and are consequently recorded at the exchange amount, which is the
   amount of consideration established and agreed to by the related parties. Related party
   transactions and balances have been disclosed elsewhere in the financial statements.

18. Impact of accounting for Government Transfers In accordance with Section 23.1 of the
    Budget Transparency and Accountability Act:

    As noted in the significant accounting policies, note 2(a), Section 23.1 of the Budget
    Transparency and Accountability Act and Restricted Contributions Regulation 188/2001,
    require BC Transit to recognize non-capital government transfers into revenue in the period
    the restriction the transfer is subject to is met, and also require BC Transit to recognize
    government transfers for the acquisition of capital assets into revenue on the same basis as
    the related amortization expense. As these transfers do not contain stipulations that create a
    liability, Canadian public sector accounting standards would require these grants to be fully
    recognized into revenue. The impact of this difference on the consolidated financial
    statements of BC Transit is as follows:

    As at March 31, 2014 – decrease in annual surplus by $34 (2013 - $14,338)

    March 31, 2014 – increase in accumulated surplus by $814,536 (2013 - $814,570), a
    decrease in deferred capital contributions by $805,787 (2013 - $807,748), and a decrease in
    deferred contributions by $8,749 (2013 - $6,822).

19. Investment In Transportation Property and Casualty Company Inc:

    In January 2010, the Board of Directors approved the withdrawal from the Transportation
    Property and Casualty Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit
    procured a comprehensive stand-alone insurance coverage program effective April 1, 2010
    which is renewed annually. Claims which have been registered and served prior to the
    withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC
    Transit will continue to monitor these claims. $2,878 (2013 - $0) remains in restricted cash
    equivalents to offset the potential legal judgment disclosed in note 20 and other potential
    future claims (note 3).
BRITISH COLUMBIA TRANSIT
Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

20. Legal Judgment:

On January 7, 2014 a judgment against BC Transit in the amount of $5.9 million was awarded to the plaintiff relating to a vehicle and bus accident. BC Transit's maximum exposure is limited to $1 million plus apportionment of legal costs under the old TPCCP program as ICBC provided coverage for the first million, BC Transit self-insured for the second million and underwriters provided coverage in excess. The expenditure for this potential settlement has been reflected in insurance expense (note 14) in the Statement of Operations. The Plaintiff's counsel is currently appealing the judge's award and the defense counsel has appealed the appeal.

21. Economic Dependency:

BC Transit is dependent on receiving government transfers from the Province of BC and Local Government Partners for its continued existence and ability to carry out its normal activities.

22. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year's consolidated financial statement presentation.