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The 2008 South Coast British Columbia Transportation Authority Annual Report was prepared under the direction of the Board of Directors, which is accountable for the contents of the report, including the selection of performance measures and the reported results. Any conflict between the material published in this report and the South Coast British Columbia Transportation Authority Act will be resolved by reference to the Act. All significant decisions, events and identified risks as of December 31, 2008, have been considered in preparing the report.

On behalf of the Board of Directors

DOETH,

DALE PARKER | Chair



THE YEAR IN REVIEW

YEAR ENDED DECEMBER 31, 2008

(all numbers in thousands)

	TREND		2008	2007	2006	2005	2004
REVENUES							
Transit Fares and Advertising	A	\$	359,911	\$ 327,609	\$ 309,472	\$ 292,402	\$ 264,448
Fuel Tax		\$	262,298	\$	\$ 264,326	\$ 254,628	\$ 252,294
Other Taxes and Levies	▲	\$	297,812	\$ 301,148	\$ 289,765	\$,	\$ 158,792
AirCare	<u> </u>	\$	19,037	\$ 15,975	\$ 21,278	\$ 26,653	\$ 25,148
Total	A	\$	939,058	\$ 912,368	\$ 884,841	\$ 818,772	\$ 700,682
MAJOR ROAD NETWORK (MRN)							
MRN Operating and Maintenance Costs	s 🛕	\$	31,154	\$ 30,024	\$ 29,553	\$ 28,630	\$ 27,384
Albion Ferry Operating Costs	A	\$	6,318	\$ 5,750	\$ 5,632	\$ 5,258	\$ 5,218
Total	A	\$	37,472	\$ 35,774	\$ 35,185	\$ 33,888	\$ 32,602
Albion Ferry Boarding Passengers	•		2,368	2,488	2,503	2,522	2,487
MINOR ROAD CAPITAL AUTHORIZED ALLOCATION (a)	٠	\$	20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
MAJOR ROAD CAPITAL AUTHORIZED ALLOCATION	٠	\$	35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
PUBLIC TRANSIT							
Service Hours	<u> </u>	_	6,181	5,880	5,636	5,392	5,187
Operating Cost Revenue Passengers (b)	A	\$	656,717 180,162	\$ 585,882 173,377	\$ 545,125 166,334	\$ 500,211 160,958	\$ 467,323
Boarded Passengers (c) Coast Mountain Bus			100,102	1/3,3//	100,554	100,936	156,840
Bus	A		206,350	200,652	192,016	189,887	191,745
Community Shuttle (e)			4,655	4,872	4,954	3,899	2,135
Total Coast Mountain Bus	A		211,005	205,524	196,970	193,786	193,880
West Vancouver Transit	A		8,490	8,267	7,852	7,615	7,079
Contracted Community Shuttle	<u> </u>		1,164	1,069	1,010	910	807
SeaBus	A		5,537	5,401	5,193	5,016	4,854
SkyTrain West Coast Express			73,529 2,683	71,213	69,457 2,286	66,292 2,104	65,003 2,034
HandyDART			1,272	1,219	1,177	1,158	1,160
Taxi Saver	A		219	198	188	184	181
AIRCARE	_						
Vehicles Tested			464	473	604	742	745
Excess Emitting Vehicles Identified (d)			53	82	90	96	122

[▲] There has been an upward trend since 2004

[▼] There has been a downward trend since 2004

[■] The trend is unchanged since 2004

THE YEAR IN REVIEW

YEAR ENDED DECEMBER 31, 2008

(all numbers in thousands)

NOTES

- (a) The MRN Minor Capital Program is a cost sharing partnership between TransLink and the municipalities. TransLink funding covers up to 50% of the eligible costs of approved capital improvements on the MRN.
- (b) "Revenue Passengers" are the number of people who purchased a ticket and traveled to a destination regardless of the number of transfers made to complete the trip. This indicates the level of use of the transit system.
- (c) "Boarded Passengers" are the total number of passengers using the system, including the initial boardings and transfers along the way. This indicates the capacity the system needs to carry the passengers using all of the different modes (bus, SeaBus, SkyTrain and West Coast Express).
- (d) In 2001 AirCare implemented a biennial (every two years) testing schedule for 1992 and newer vehicles so fewer vehicles are required to be tested. At the same time, more rigorous testing procedures have led to the identification of more excess emitting vehicles. Also, in 2007, a new 7-model year exemption for the newest model years has been established, resulting in a further reduction in vehicles being tested.
- (e) The reported revenue & boarded passengers for 2007 & 2008 were inconsistent with the increase in service hours delivered. An incorrect procedure for collecting data has been identified and will be corrected in 2009.

MAJOR CAPITAL PROJECTS

Approvals as of Dec	c 31, 2008 (\$000s)	2008 Cashflow (\$000s)
MAJOR ROADS		
Coast Meridian Overpass	60,000	39,052
204 Street Overpass	18,000	174
Fraser Highway Widening	45,000	7,629
Roberts Bank Rail Corridor Program	50,000	325
Murray Clark Connector	46,000	0
BRIDGE REHABILITATION		
Knight Street Bridge Upgrades	17,125	11,728
Pattullo Bridge Upgrades	16,944	1,349
RAPID TRANSIT		
Canada Line	397,349	52,796
Evergreen Line	57,000	674
BRIDGES		
Golden Ears Bridge	166,000	18,547
FLEET		
Trolley Buses	322,158	10,533
Diesel/CNGs	365,755	40,705
Third SeaBus	25,500	11,069
SKYTRAIN MKII VEHICLES		
2009 Expansion (34)	147,000	36,594
2010 Expansion (14)	46,000	15,991
OTHERS		
Trolley Overhead Network	18,740	3,036
SkyTrain OMC Expansion	54,010	12,811
Maintenance and Transportation Training Centre	27,400	10,525
TVMs (WCE and CL)	18,750	7,342
SkyTrain ATC Upgrades	22,430	1,362
Broadway SkyTrain Station Upgrade	13,200	407
Canada Line Bus Loops	12,945	_
Bus Communication System	47,926	10,816





A MESSAGE FROM THE CEO

THOMAS PRENDERGAST

Since moving here and joining the staff at TransLink in August 2008, I have been impressed with this region's determination to protect and enhance its livability, and by the work already underway at TransLink to support that goal.

In addition to transit, the authority's mandate includes the major road network – including three bridges – transportation demand management and cycling. This suite of tools gives TransLink the ability to develop plans that truly change the way we get around, and the way we live.

In 2008, TransLink worked with stakeholders, local government and the public to create a 30-year strategy – Transport 2040 – to help create a sustainable region through transportation excellence. This year, we are working to develop the first 10-year rolling plan to begin bringing Transport 2040 closer to reality.

The thrust of Transport 2040 is to cut greenhouse gas emissions from transportation by reducing dependence on private vehicles, shaping future land use decisions so that walking, cycling and transit can handle most trips, and by managing the transportation network to facilitate goods movement.

The most significant ingredient that is necessary to ensuring success is sufficient, stable revenue sources that will enable us to implement the 10-year plan and all of its objectives. Until we are able to obtain funding that is both sustainable and sufficient in the long term the transportation system will not be able to bring about the behavioral changes necessary to effect environmental improvements. The net result will be that livability will suffer, as will the people who

depend on reliable, safe, efficient transit – which includes everyone whether they benefit directly or indirectly.

In 2009, TransLink's key objective is to secure funding for a 2010 10-Year Transportation and Financial Plan that will move the region towards the vision of Transport 2040. The second major initiative underway this year is preparation for the 2010 Winter Games.

We are preparing to provide transportation for an additional 230,000 riders on an existing daily transit ridership of 730,000. We will achieve this by maximizing the existing network, reducing vehicle traffic, and adding more SkyTrain cars and buses to the system. We're getting the word out to residents and businesses to travel smarter by walking, cycling, and taking transit.

Major improvements coming on stream in time for the games include: Golden Ears Bridge – open to traffic by July 1; Canada Line – opening by Labour Day, a third SeaBus and 48 new SkyTrain cars and 85 more buses.

Our ability to deliver on these critical projects, as well as to resolve our long term funding problem, will go a long way toward garnering recognition for TransLink as an industry leader in influencing significant transportation policy that contributes to a more livable region. This is a lofty goal, but definitely a worthy one.

THOMAS PRENDERGAST | Chief Executive Officer







A MESSAGE FROM THE CHAIR

DALE PARKER

Acting as the overseers of an organization such as TransLink, which plays an integral role in maintaining Metro Vancouver's status as the world's most livable region is both a responsibility and an incredible opportunity. As Chair of a new board, under a new governance structure in 2008, I have been impressed by the complexity of the issues before us, the passion of stakeholders and members of the public for finding solutions, and the dedication of staff.

TransLink has made real progress in containing costs, even as it expands the transportation system and improves customer services. Benchmarking among large transit systems around the world shows that Coast Mountain Bus Company compares well in overall efficiency and effectiveness while SkyTrain is the most cost-effective among its class of medium capacity rail transit properties. To ensure that we were doing our best to continue to move TransLink and the region along the path to sustainability, the Board undertook several key initiatives.

These include creating the Board Governance Manual and adding the Major Capital Projects committee to ensure an intensive review is done on investments in renewal and expansion of the system and to oversee major projects such as the contract with VANOC for the 2010 Olympics transportation services.

Other major accomplishments included:

- 1 Recruiting and hiring Tom Prendergast as CEO.
- 2 Approving the first 10-year plan under the new legislation and setting the framework for the next one, which is in process today.
- **3** Prioritizing the implementation of "Smart Card" technology.

- 4 Completing an enterprise-wide risk assessment to allow establishment of a risk registry and initiating actions to mitigate the higher-rated risks.
- 5 Revising TransLink's Vision, Mission and Values towards finalizing a corporate strategic plan and to help align the purpose of the board, CEO and management.
- 6 Establishing a peer evaluation and a Board effectiveness evaluation.

The Board effectiveness evaluation identifies areas for improvement and actions to strengthen its performance, gives individual directors an assessment of their personal contribution, and helps the Screening Panel in its recruitment and recommendation of director candidates.

One of the Board's primary duties is to see that TransLink is staffed by a high performance management team, with a solid succession plan. In consultation with the CEO this is receiving a high priority.

Looking back on my first year as Chair, I realize that despite the complexity of the task before them, and with full knowledge of the challenge ahead, TransLink's staff continue to show optimism and dedication. On behalf of the Board, I offer my thanks to the men and women who serve the Metro Vancouver region through TransLink and its subsidiaries.

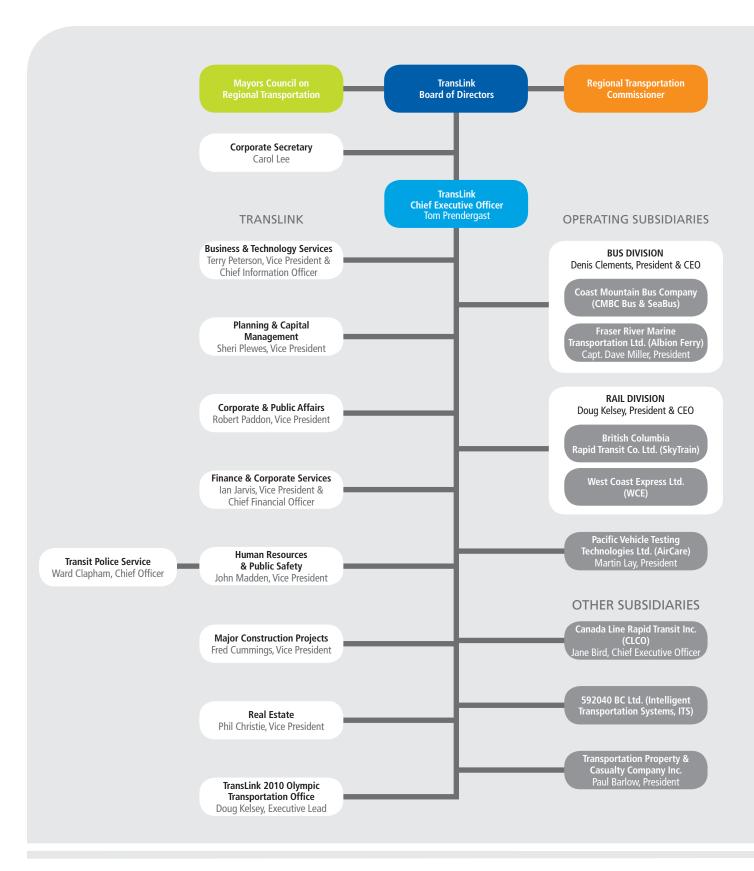




DALE PARKER | Chairman of the Board



CORPORATE PROFILE & GOVERNANCE CHARTS



CORPORATE PROFILE & GOVERNANCE CHARTS

The entities involved in TransLink's governance framework include the Mayors' Council on Regional Transportation (the "Mayors' Council"), the Board of Directors ("Board"), the Regional Transportation Commissioner ("Commissioner") and a Screening Panel.

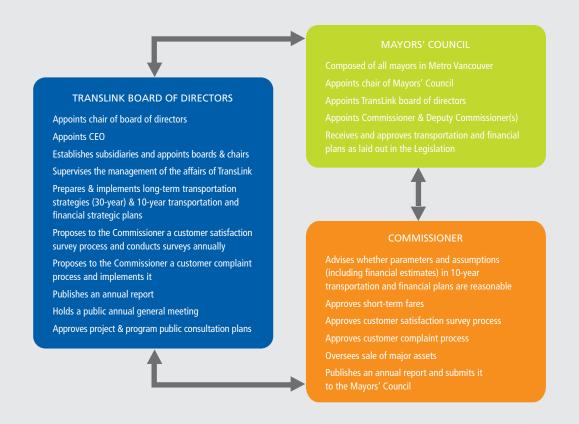
The Mayors' Council is currently comprised of the mayors of the 21 municipalities within the Metro Vancouver region. In May 2009, the Chief of the Tsawwassen First Nation will become a member of the Mayors' Council. Municipalities within the South Coast of British Columbia have the option of joining TransLink's service area and as this occurs, the membership of the Mayors' Council will be expanded to include the mayor of the additional municipality.

The Board is made up of nine independent directors and is responsible for overseeing the management of TransLink's affairs. They are appointed by the Mayors' Council from the qualified candidates identified through the Screening Panel's recruitment

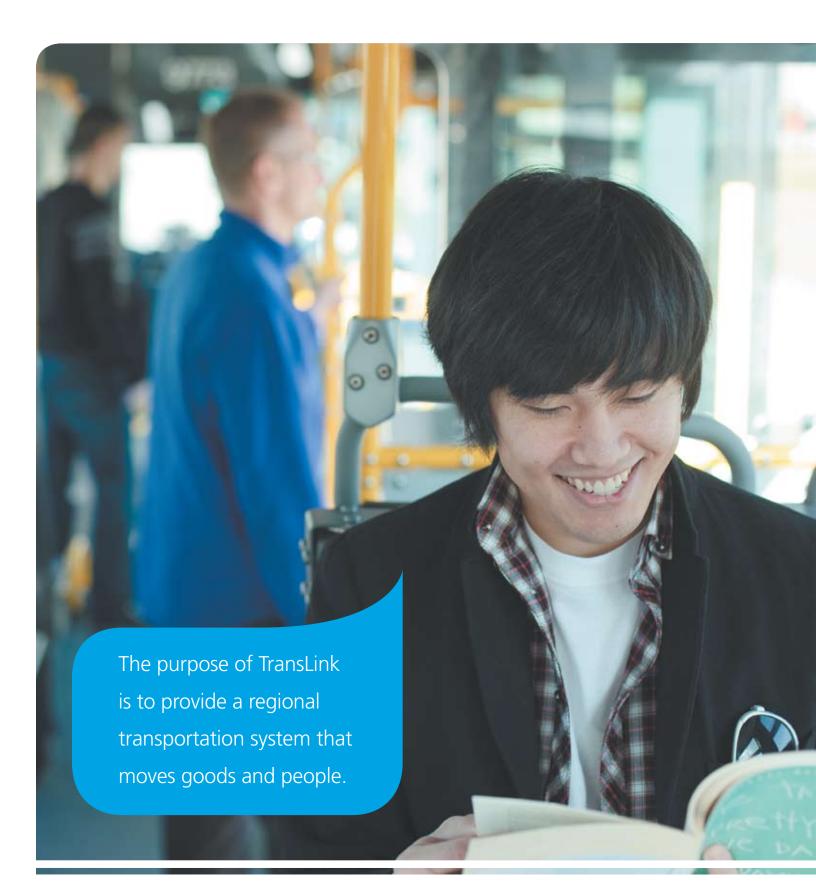
process. The Screening Panel is constituted annually to recruit director candidates and is comprised of one nominee from each of the Chartered Accountants of British Columbia, the Gateway Council of British Columbia, Mayors' Council, the Ministry of Transportation and Infrastructure and the Vancouver Board of Trade. The Screening Panel is also responsible for setting the remuneration of the Board. Following the annual appointment of directors to fill the vacancies on the Board by the Mayors' Council, the Screening Panel is dissolved.

The Mayors' Council also appoints the Commissioner.

The Commissioner reviews TransLink's 10-Year Base Plan and Supplements and provides an opinion to the Mayors' Council on whether the parameters and assumptions contained in the 10-Year Plans are reasonable. In addition, the Commissioner reports annually to the Mayors' Council on TransLink's performance relative to its service, capital and operational plans.







YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

OVERVIEW OF BUSINESS

The Greater Vancouver Transportation Authority was established in June 1998 under the Greater Vancouver Transportation Authority Act (GVTA Act), to provide for the planning, funding, management and operation of an integrated regional transportation system for the greater Vancouver region, effective April 1, 1999. In November 2007, the provincial legislature passed Bill 43, the Greater Vancouver Transportation Authority Amendment Act, 2007. Bill 43 significantly amends the existing GVTA Act and changes the name of the Act to the South Coast British Columbia Transportation Authority Act (SCBCTA Act).

The purpose of TransLink is to provide a regional transportation system that moves goods and people in support of the regions' growth strategy, provincial and regional environmental objectives and the economic development of the service region.

Under the SCBCTA Act, TransLink has the ability to extend its transportation service region north to Pemberton and east to Hope. The extension of the service area is subject to entering into service agreements with municipal jurisdictions. TransLink is responsible for the regional transit system and shares responsibility for the Major Road Network (MRN) with the municipalities. It is also responsible for regional cycling, custom transit for persons with disabilities, a vehicle emissions testing program and initiatives to encourage sustainable alternatives to travel by single-occupant vehicles.

To achieve this, all assets and liabilities in the greater Vancouver region, formerly owned and operated by BC Transit were transferred from the Province of British Columbia to the Authority, with the exception of those specified in Section 38 (8) (a) of the Act, most notably SkyTrain Expo Line guideway and West Coast Express infrastructure. In addition, in 2002 the Province of British Columbia built and funded the Millennium Line. Although these assets from Section 38(8) (a) and the Millennium Line ownership remain with the Province of British Columbia, it is TransLink's responsibility to operate, service, maintain and provide for the necessary upgrades. The estimated net book value of these assets is \$1.6 billion.

TransLink has seven active wholly-owned subsidiaries as well as contracts with independent operators for the delivery of transit, road services and travel alternative programs to manage the demand on the transportation system. TransLink funds its operations, capital expenditures, and debt service payments with revenues from transit operations, taxation revenues, capital contributions from senior levels of government, and issuance of long term debt.

The SCBCTA Act requires TransLink to produce a long term transportation strategy (30+ years) that is updated every five years, and a rolling 10-year plan that is updated annually. TransLink is required to consult with the public, governments and stakeholders in the service region as these plans are created.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

TRANSIT OPERATIONS

TransLink operates the public transit system in the Greater Vancouver region, which is currently composed of 21 municipalities situated on 2,000 square kilometers of British Columbia's southwestern mainland. Transit services are delivered primarily through three wholly-owned subsidiaries, utilizing a fleet of 1,432 buses, two passenger ferries, 210 light rail cars, and five commuter rail trains with 37 passenger cars.

Coast Mountain Bus Company Ltd., the largest subsidiary, operates 95 per cent of the bus service; this includes 226 electric trolley buses, three B-line rapid bus services, highway Express Coaches, Community Shuttle minibuses, and two SeaBus passenger ferries across Burrard Inlet.

British Columbia Rapid Transit Company Ltd., operates the Expo and Millennium SkyTrain lines, the world's longest automated light rapid transit system, connecting downtown Vancouver with the cities of Burnaby, New Westminster and Surrey.

West Coast Express Ltd., operates five commuter trains each weekday morning from Mission City in the Fraser Valley to downtown Vancouver with return trips each afternoon. It also contracts out the TrainBus coach bus service, which supplements the commuter train service.

TransLink contracts with independent operators for delivery of the following services, and supplies the 409 vehicles utilized by the contractors:

HandyDART is a shared-ride custom transit service for people with physical or cognitive disabilities who cannot use conventional services. In 2008 the service was operated by seven independent contractors utilizing a fleet of 341 HandyDART vehicles provided by TransLink. Effective January 1, 2009, there is one independent contractor operating this service. The supplementary Taxi Saver Program enables eligible users to make trips by taxi with substantial savings.

Community Shuttle minibus services in Langley, New Westminster, Bowen Island and West Vancouver are operated by independent contractors utilizing a fleet of 24 minibuses.

The West Vancouver "Blue Bus" transit service is operated by the District of West Vancouver, utilizing a fleet of 44 buses.

A wholly-owned subsidiary, **Canada Line Rapid Transit Inc.**, was created to oversee the procurement, design, construction and implementation of the Canada Line automated rapid transit line, which will link Vancouver, Richmond and the Vancouver International Airport. Under a private-public partnership agreement, InTransit BC Ltd. was awarded the contract to design, build, construct, maintain and partially finance the Canada Line under a 35 year concession agreement. The Canada Line is scheduled to commence operations in the fall of 2009

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

SECURITY

The South Coast British Columbia Transportation Authority Police Service ("SCBCTA Police Service") was established by the Province in 2005 as the first dedicated transit police service in Canada. The SCBCTA police maintain order, safety and security on transit facilities and adjacent areas, and are authorized to enforce laws and carry firearms.

The SCBCTA Police Service coordinates with jurisdictional police as well as other transit security staff.

ROADS AND BRIDGES

In partnership with the municipalities, TransLink supports the Major Road Network (MRN), a network of major roads throughout Metro Vancouver. Ownership of and operational responsibility for the MRN generally remains with the respective municipalities. TransLink provides funding for the operation, maintenance and rehabilitation of the MRN, and shares in the cost of eligible capital improvements.

Included in the Major Road Network is the Albion Ferry service that connects Langley to Maple Ridge and Pitt Meadows across the Fraser River. A wholly-owned subsidiary, Fraser River Marine Transportation Company Ltd., operates the Albion Ferry service utilizing two 22-vehicle ferries.¹

TransLink owns and operates the following inter-municipal bridges and structures – Knight Street Bridge system, Pattullo Bridge, Westham Island Bridge and the Albion Ferry docks.

The Golden Ears Bridge, a new six-lane bridge across the Fraser River in the 200th Street corridor is under construction. Once the bridge is operational in 2009, it will replace the Albion Ferry service. The Golden Crossing General Partnership has been contracted to design, build, finance, operate, maintain and rehabilitate the bridge and its 14-kilometre associated road network

TRANSLINK CORPORATE

TransLink Corporate is the organization's head office, responsible for organizational leadership and oversight, and the development of TransLink's strategic transportation and financial plans. Other functions centralized at the TransLink Corporate office include major capital project management, legal services, corporate finance, internal audit, marketing, public affairs, real estate services, and the transportation demand management program.

A wholly-owned subsidiary, 592040 B.C. Ltd. (ITS Corporation) has been established, to research and develop intelligent transportation systems ("ITS") and technologies.

The insurance needs of the organization are administered through TransLink's captive insurance company, Transportation Property and Casualty Co., which is co-owned with BC Transit (90 per cent owned by TransLink, 10 per cent owned by BC Transit).



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

AIRCARE

Under the SCBCTA Act, TransLink must develop and administer programs for certifying motor vehicle compliance with regulations under the Motor Vehicle Act with respect to exhaust emission standards. The wholly-owned subsidiary, Pacific Vehicle Testing Technologies Ltd., manages the AirCare program which is a mandatory vehicle emissions testing program in the Metro Vancouver region. The inspection contractor for the AirCare program is Envirotest Canada, which operates the 10 inspection centres. Testing fees are set such that, over the lifetime of the contract, all program costs related to AirCare are recovered through user fees.

ACCOUNTING POLICIES

Significant accounting policies are disclosed in Note 2 of the Notes to Consolidated Financial Statements.

Adoption of New Accounting Policy

Effective January 1, 2008, TransLink adopted Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3031, Inventory. Under this section, inventory is to be measured at the lower of cost and net realizable value. This standard also provides guidance on the costs that can be capitalized. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increase in inventory value. Spare parts and servicing equipment are usually carried as inventory and recognized in net income as consumed. However, under this section major spare parts and standby equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. This requires that all spare parts be recorded at their net book value and amortized over the life of the asset they will service. The effect has resulted in the reclassification of \$5.2 million supplies inventory into capital assets as at December 31, 2007 with corresponding changes in the fund balances between the amount invested in capital assets and unrestricted fund balance.

Future Accounting Change

The CICA has decided to transition Canadian Generally Accepted Accounting Principles for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. TransLink is currently classified as a not-for-profit organization under the South Coast British Columbia Transportation Authority Act. The Accounting Standard Board and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition PSAB has issued an Invitation to Comment on the future financial reporting of government organizations. TransLink is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

OPERATING ACTIVITY

TransLink evaluates the performance of its operations using key performance measures that are linked to its goals, objectives and strategies. Selected operating results and key performance indicators are shown in the table below.

Scheduled Tansit Service	2005	2006	2007	2008	% Chg 2008 vs. 2007	% Chg 2005-2008
Service Hours	4,893,457	5,117,216	5,333,014	5,588,414	4.8%	14.2%
Revenue Passengers	159,713,533	165,073,203	172,069,507	178,796,367	3.9%	11.9%
Average Fare per revenue passenger	\$1.80	\$1.84	\$1.84	\$1.95	6.0%	8.3%
Operating cost per passenger kilometre	\$0.272	\$0.291	\$0.303	\$0.324	6.9%	19.1%
Bus - Average operating cost per service hour	\$96.44	\$101.85	\$104.46	\$110.55	5.8%	14.6%
Rail - Average operating cost per vehicle kilometre	\$2.33	\$2.48	\$2.59	\$2.83	9.3%	21.5%
Overall performance - average annual rating out of	10 7.3	7.3	7.1	7.0	-1.4%	-4.1%
Overall performance - % rated 8-10	53%	53%	49%	48%	-2.0%	-9.4%
Passenger Injuries per 1 million boarded passengers	0.46	0.45	3.50	3.76	7.4%	_
Employee Injuries per 200,000 hours worked	7.27	7.01	6.25	6.49	3.8%	-10.7%
Voluntary Resignations per 100 employees	2.37	3.23	2.99	2.26	-24.4%	-4.6%
Access transit						
Service Hours	500,911	519,480	548,858	592,433	7.9%	18.3%
Revenue Passengers	1,246,380	1,260,245	1,308,321	1,365,447	4.4%	9.6%
Operating cost per revenue passenger	\$20.45	\$21.56	\$23.11	\$26.50	14.7%	29.6%
Operating cost per service hour	\$50.88	\$52.30	\$55.10	\$61.09	10.9%	20.1%
Passenger Injuries per 1 million boarded passengers	0	0	10.59	6.71	-36.6%	-

Note: Scheduled transit service includes Bus, SeaBus, SkyTrain and West Coast Express services.

The primary measures of transit operating activity are service hours and revenue passengers. Service hours increased 4.8 per cent annually over last year. For the 4-year period from 2005 to 2008, service hours have increased 14.2 per cent.

Ridership has increased 3.9 per cent over 2007 even with the fare increase in January. The higher costs of driving, and increased fuel costs are a contributor. There is some lag between the introduction of new service and ridership, as well as some service hours being targeted to reduce overcrowded routes, which explains why ridership does not increase at the same rate as service hours. An 11.9 per cent increase in ridership has been realized over the period 2005–2008.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

The cost to transport one passenger one kilometre increased 6.9 per cent over last year and has increased 19.1 per cent over the past 4 years. Higher fuel, maintenance and support costs are the main contributors for operating costs increasing faster than revenue passenger kilometres.

Cost per bus service hour is up 5.8 per cent over last year, with a 14.6 per cent increase over the past 4 years. The main components of the increase are labour and fuel costs. The average increase per year is 3.5 per cent, which exceeds the 2 per cent per year average consumer price index change experienced in Vancouver over the past 4 years. Higher fuel prices and maintenance costs, in particular related to new bus technologies and improved accessibility features, are the primary factors to the greater-than-inflation increase.

The average cost per rail vehicle kilometre increased 9.3 per cent over last year. The relatively high increase is driven by the cost to implement the new rail division structure. The 21.5 per cent increase over the last 4 years also reflects the 1 to 2 per cent per year decline in vehicle kilometres due to the increased use of larger MKII vehicles which provide greater passenger capacity, and the impact of the new Vancouver Community College Station and expanded Granville Station.

In a demand-based system, such as Access Transit, increases in service hours typically result in operational lags, whereby the hours of service are provided in advance of customer demand for travel. To be successful, client demand must grow consistent with the need for service hours. Access Transit service hours have increased by 7.9 per cent over 2007, with an 18.3 per cent increase being realized over the past 4 years. These significant increases are necessary to fulfill the increased demand for this service. Operating cost per revenue passenger (14.7 per cent) and operating cost per service hour (10.9 per cent) have both risen substantially in 2008. Higher fuel costs and transition costs contributed to this increase. For the period 2005 – 2008, operating cost per revenue passenger increased 29.6 per cent and operating cost per service hour increased 20.1 per cent.

The overall performance ratings are relatively steady, with a slight decline over the past 4 years. The percentage of passengers who rate the service between 8 and 10 (out of 10) was 48 per cent in 2008 compared to 49 per cent in 2007. This rating has decreased slightly over the past 4 years from

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

53% in 2005. An average rating of 7 out of 10 or 50 percent good-to-excellent is the cut-off point below which remedial action is recommended. The attributes identified in 2008 are:

- Value for money (6.4/10)
- Good Connections between Buses and other Transit modes with reasonable wait times (6.7/10).
- Having adequate information at stops and stations (6.6/10)
- Having enough shelters at stops (6.2/10)

Passenger injuries per one million boarded passengers were higher in 2008 compared to 2007 in scheduled transit (7.4 per cent) and lower in access transit (36.6 per cent). The increase between 2006 and 2007 is because passenger injuries were not tracked by the Bus Division prior to 2007.

Employee injuries per 200,000 hours worked have trended lower over the last 4 years by 10.7 per cent.

Voluntary resignations per 100 employees have decreased by 24.4 per cent in 2008 and decreased by 4.6 per cent over the past 4 years. In 2008 there were 35 fewer voluntary resignations versus 2007 with an employee base increase of 8.7 per cent over the same period.

Consolidated Statement of Operations – Analysis

This analysis will review 2008 results compared to 2007 and is organized by fund category.

GENERAL FUND

The following table summarizes the general fund net operating results for 2008 and 2007.

	2008	2007	Change
Revenues	920,021	896,393	23,628
Expenses	773,737	683,512	90,225
	146,284	212,881	(66,597)
Other	(48)	86	(134)
Excess of revenue over expenses	146,236	212,967	(66,731)



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

REVENUES

Provincial legislation provides TransLink with access to sources of revenues that are used to fund the provision and support of transportation services. In 2008 revenues increased \$23.6 million over 2007. Transit revenue grew by \$32.2 million yet taxation revenues decreased by \$8.5 million – this is largely due to the adjustment of Replacement tax rates for 2008.

The following table provides more detail on the components.

Transit Revenue

Transit revenue	2008	2007	Change
Transit fares	348,672	317,801	30,871
Advertising & other	11,239	9,960	1,279
	359,911	327,761	32,150
Taxation revenues			
Motor fuel tax	262,298	267,637	(5,339
Property tax	255,741	246,891	8,850
Parking site/Replacement tax	8,758	21,789	(13,031
Others	33,313	32,315	998
	560,110	568,632	(8,522

(Mission Subsidy is grouped as Transit Fares)

The **transit fare** revenue increase of \$30.9 million (9.7 per cent) is primarily due to the fare increase (six per cent) that occurred in January as well as ridership growth. There was a 3.9 per cent increase in the number of passengers carried during the year, with West Coast Express again showing the largest increase at 5.9 per cent. Other notable increases are due to program expansion of both the U-Pass and Employer Pass Programs.

The use of prepaid fare media continues to exceed growth in cash sales. FareCard revenues grew by \$17 million, while FareSaver revenues increased by \$2.7 million. Key factors that have led to this growth include increasing gas prices and federal tax credits, providing incentives for a commitment to travel on transit.

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Sales of monthly and employer passes increased 239,000 or 8.2 per cent during the year. The average purchase price per pass also increased by \$3.24 or 7.2 per cent due to continued increases in sales growth of two and three zone passes. Monthly and employer passes account for only 43.7 per cent of total fare revenue, yet they account for \$21 million or 68 per cent of the \$30.9 million increase in fare revenues for 2008. The table below summarizes the rate and volume impact of these passes on the change in fare revenue.

Monthly Passes*	2008	2007	Change	% change
Purchases	2,958	2,739	219	8.0%
Revenue	\$134,189	\$116,215	\$17,974	15.5%
Average price per purchase	\$45.36	\$42.43	\$2.94	6.9%
Employer Pass*	2008	2007	Change	% change
Purchases	194	174	20	11.5%
Revenue	\$18,170	\$15,143	\$3,027	20.0%
Average price per purchase	\$93.66	\$87.03	\$6.63	7.6%
Both	2008	2007	Change	% change
Purchases	3,152	2,913	239	8.2%
Revenue	\$152,359	\$131,358	\$21,001	16.0%
Average price per purchase	\$48.34	\$45.09	\$3.24	7.2%
% of total fare revenue	43.7%	41.3%	68.0%	
Total Fare Revenue	\$348,672	\$317,801	\$30,871	9.7%

Advertising & other revenue is contract-based and provides revenue at a guaranteed minimum (which increases annually) plus additional revenue if advertising sales are above the minimum. In 2008 advertising revenue exceeded the minimum by \$1.5 million and exceeded 2007 revenues by \$800,000. An additional \$500,000 was realized from increased retail and Park & Ride lot revenue.



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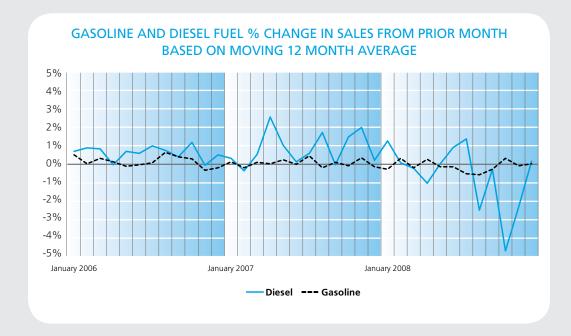
TAXATION REVENUES

Motor Fuel Tax revenue decreased \$5.3 million (2.0%) over 2007.

Revenues are from a \$.12 tax per litre on gasoline and diesel fuel sales in the Metro Vancouver area. This rate has remained the same since April 2005. In 2008 the ratio of litres sold was 85% gasoline and 15% diesel. This ratio has changed slightly from the 84/16 split in 2007, due to a large decline in diesel sales.

Both gasoline and diesel had lower sales volume in 2008 compared to 2007. Gasoline sales were 1.4% lower and diesel sales were 5% lower, resulting in \$3.2 million and \$2.1 million revenue reductions respectively.

The following graph shows the sales trend for the past three years, using a 12-month moving average. The 12-month average provides a stable comparative for trend analysis, smoothing out the impact of seasonality and adjustments.



The graph shows a steady decline in gasoline sales volume, the trend going more towards negative growth by 2008. Diesel sales, even with the averaging effect, show the dramatic decline in the latter half of 2008 from strong 2007 growth rates

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Gasoline prices over the past five years have increased on a steady basis. However, in 2008, gasoline price activity was extremely volatile. The price at the pump started the 2008 year at \$1.05 per litre, then climbed dramatically to \$1.50 in July, then plummeted downward to end the year at slightly above \$0.80 per litre. This dramatic price decline had strong correlation with the significant economic downturn affecting North America in the latter half of 2008.

Historically lower fuel prices are linked to increased fuel sales. The economic downturn, resulting in rising unemployment, stoppage of major development projects and general slowdown in local construction, has dampened any fuel sales growth generated by lower prices. With economic restraint, there can be positive impact on transit fare revenues from increased ridership but also a curtailment of discretionary travel and greater emphasis on seeking the best vehicle fuel efficiency, which then results in lower fuel tax revenues.

Property tax increased \$8.9 million (3.6%) over 2007.

This increase reflects tax rates set to achieve revenue growth of 3 per cent over the prior year. The 3 per cent growth is based on general inflation of 2 per cent and estimated 1 per cent growth in number of properties. Actual year-over year growth was slightly above the 3.0 per cent target, while in 2007 actual growth was slightly below the target. Net revenue actual percentage growth will vary from the target level as tax rates are set early in the year and must use an estimate for the dollar impact of appeals and adjustments. The majority of revenue is provided by Class 1 Residential, \$135.2 million and Class 6 Business, \$100.3 million.

Parking Site Tax / Replacement Tax

The Parking Site Tax was a revenue source implemented as part of the 2005 – 2007 financial strategy to fund transportation service improvements. In 2008 the South Coast British Columbia Transportation Authority Act repealed the Parking Site tax and provided for the implementation of a Replacement Tax. The Replacement Tax has the legislated authority to tax a maximum of \$18 million on property classes 1, 2, 4, 5 and 6. However, the public consultation in 2007 on the 2008 Transportation and Financial Plan assumed the tax would not apply to Class 1 Residential. To ensure that the impact on business owners was similar to what the Plan consultation had assumed the SCBCTA board limited the tax to \$9 million, applied to the allowed non-residential classes. The 2008 amount of \$8.7 million reflects the \$9 million invoice amount less appeals and adjustments.

Other - Hydro Levy and Parking Sales Tax increased \$1.0 million (3.1%) over 2007.

These revenues grew by \$0.4 million and \$0.6 million reflecting general population growth and minor prior year adjustments. Both revenue sources have had the same tax rates since the inception of TransLink.



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EXPENSES

Total general fund expenses have increased by \$90.2 million compared to 2007. The following table presents the components of the increase.

	2008	2007	Change
Transportation operations	660,829	595,351	65,478
Maintenance on Major Road Network	37,472	35,774	1,698
Administration	38,179	30,060	8,119
Transit Police	22,051	17,901	4,150
Other projects	15,206	4,426	10,780
	773,737	683,512	90,225

Transportation Operations includes the operating costs of transit subsidiaries and transit contractors. Costs have increased by \$65.5 million over 2007. The primary cost drivers in this category include labour, materials, fuel, the impact of service expansion, and the Rail division reorganization which includes the addition of the Canada Line contract management division. A variety of other factors also influence costs.

Labour – TransLink subsidiaries employ a work force of over 6,100 employees, an increase of 7 per cent over 2007. Of these, 91 per cent are covered by five different labour contracts. Labour is the most significant cost to the subsidiaries, comprising 62 per cent of operating expenses. Economic increases for all employees were in the 3 to 3.5 per cent range in 2008 and increased costs by approximately \$12 million. Overtime costs decreased by \$3.5 million due to improved recruitment and training of new operators to coincide with service expansion requirements.

Materials and Utilities – Cost increases for bus operations were related to service expansion, see section below. The balance of the increase (\$900,000) relate to repairs required due to damage sustained by heavy snowfall (Linear Induction Motors on SkyTrain), as well as increased resources to improve station cleanliness, emergency Skybridge repairs, and painting of Patterson Station. Also maintenance costs increased on the MK II vehicles as cars have moved past the warranty period.

Fuel – Fuel costs in 2008 increased by \$14 million over 2007. The main component of this was the cost of diesel fuel, up \$13.2 million due to increased usage, price fluctuations and the new Carbon Tax. The balance of the increase is due to an increase in DC power costs to run the SkyTrain vehicles and trolley buses.

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Service Expansion – Bus service increased by 226,000 hours (5.3 per cent) at a cost of approximately \$18.9 million. This reflects both the full year impact of the 2007 service expansion and the part-year impact of the 2008 expansion. Service increased for the HandyDART fleet by 43,500 hours (7.9 per cent) at a cost of \$2.4 million. Other service expansions included West Van Blue Bus (3.5 per cent, \$370,000) and Contracted Community Shuttle (19 per cent, \$600,000). The addition of weekend TrainBus service, and annualization of 3 additional weekday runs which began September 2007 resulted in an increase in 2008 of \$470,000 over 2007.

Other – Remaining factors to the transportation operations increase include \$1 million more spent in 2008 on snow removal, start-up costs for the new HandyDART contractor MVT Bus Canada totaling \$1.2 million in 2008, and an increase in rolling stock lease charges (\$750,000). Effective January 2008, the service contracts admin support group for Access Transit was moved from administration to transit operations (\$900,000).

Maintenance on Major Road Network includes the funding provided to the municipalities for the operation, maintenance and rehabilitation for their respective portion of the Major Road Network (MRN), the costs to maintain the three TransLink owned bridges, and Albion Ferry operating costs.

\$1.1 million of the \$1.6 million increase is due to a funding rate increase (from \$12,735/lane kilometre to \$12,990/lane kilometre) and 0.6 per cent growth in lane kilometres, and one-time major repair of the Westham Island swing bridge gear mechanism. The balance is due to higher Albion Ferry fuel cost, labour contract increases and a vessel refit

Administration is the TransLink corporate head office, including staff and support costs for the transportation planning, technology services, real estate, finance, human resources, capital management and corporate affairs functions. Costs related to the new governance structure are captured in this category as well.

The \$8.1 million increase reflects staff economic and merit increases as well as the increase in staffing and consulting resources required to implement the \$4 billion Outlook Program and the Provincial Transit Plan.

The increase in expenditures also reflects:

• The implementation of the new governance framework, which is an unprecedented multi-tiered governance structure with accountability shared between the Board of Directors, a Mayors' Council comprised of all the mayors within the transportation services region, and a Regional Transportation Commissioner. The cost of supporting the new governance structure is approximately \$1.1 million.



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- Significant consulting, marketing and public consultations costs to support the development of two major bodies of work that will guide TransLink into the future, Transport 2040 and the 2009 10-Year Plan. Both are required under legislation, with the 2009 Plan being the first of annual rolling ten-year plans.
- The establishment of two new divisions: Business and Technology Services to provide business consulting service and align and implement IT strategies across the corporation, and Real Estate, to increase revenues through strategic sales, acquisitions and development.

Other Projects include various studies, one-time projects and expenditures for activities that can no longer be capitalized or deferred. The most significant component of the overall \$10.8 million increase is the Evergreen Line write-off of \$7.9 million. The write-off was required as the project will be implemented using SkyTrain technology rather than the LRT technology contemplated in the initial studies and consultations. In addition, due to the changes in internal practices, projects such as the Transit Road Related Improvement Program (TRRIP) were no longer eligible for capitalization.

Transit Police increased by \$4.1 million over 2007. An increase of \$3.2 million in salaries is due to economic increases and the addition of 42 new positions needed for the Canada Line and to build Transit Police's infrastructure capacity. The remaining increase relates to training costs for new recruits hired, renovations started on facilities, and the migration of Transit Police's network from Coast Mountain Bus Company.

AIRCARE FUND

	2008	2007	Change
Revenues	19,037	15,975	3,062
Expenses	17,738	17,360	378
Excess/(Deficit) of revenue over expenditures	1,299	(1,385)	2,684

This is a fund used to record the revenues and expenses of the AirCare vehicle emissions testing program. Under legislation, AirCare fees are designed to recover program costs over the life of the current testing contract to December 31, 2011.

Revenues have increased by \$3.1 million, due to the increase in test volume as a result of the inclusion of 2001 model year vehicles. These vehicles were exempt from testing in 2007. There were 50,718 more inspections performed in 2008 vs. 2007.

Expenses have increased by \$378,000 reflecting a planned 2 per cent increase in contract expenses from 2007. The operating cost per vehicle inspected decreased by 8 per cent.

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CAPITAL FUND

This fund is used to record the acquisition costs of capital assets and any related long-term debt outstanding. It also includes capital contributions received from senior government, and the capital funding paid to the municipalities for the Major Road Network. Revenue added to this fund includes interest earned on debt sinking funds and debt reserve deposits, as well as interest earned on surplus cash, federal and provincial funds held in segregated investment accounts. Charges to the fund include interest related to borrowings and amortization of capital assets. The following summarizes Revenue and Expenses:

Revenues	2008	2007	Change
Capital contributions	217,070	323,921	(106,851)
Interest income	24,415	28,522	(4,107)
Revenue	241,485	352,443	(110,958)
Expenses			
Major Road Network capital funding	64,710	29,238	35,472
Interest on debt	63,414	57,605	5,809
Amortization of capital assets	88,108	74,909	13,199
Expenses	216,232	161,752	54,480
	25,253	190,691	(165,438)
Other			
Gain/(loss) in foreign exchange	94	(1,774)	1,868
Fair value adjustment on financial instruments	(4,100)	(7,200)	3,100
Loss on disposal of capital assets	(1,232)	(888)	(344)
Other	(5,238)	(9,862)	4,624
Excess of revenue over expenses	20,015	180,829	(160,814)

Capital contributions are funds received from senior government. Note 11 in the consolidated financial statements detail the different sources and how much was received from each source. The \$62.1 million received in 2008 out of the federal government's Strategic Priorities Fund (a.k.a. Gas Tax Agreement Funds) represents year four's allocation and has been directed towards the capital cost of the SkyTrain OMC expansion and the following fleet expansions: 20 articulated electric trolleys, 19 community shuttles, 25 HandyDART (custom) vehicles, and third SeaBus; also the replacement of the following vehicles: 14 articulated diesel buses with 14 articulated electric trolleys, 4 community shuttles, 56 standard 40ft diesels with 56 hybrids, 18 articulated diesels with 18 articulated hybrids, 30 HandyDART (custom) vehicles.

\$4.5 million was received in 2008 out of the federal government's Transit Secure Funding Program, which funded enhanced CCTV and enhanced SkyTrain station lighting projects. The Urban Transit Showcase Program funded by Transport Canada provided \$5.2 million towards Transit Villages, Central Valley Greenway, and Main Street Transit and Pedestrian Priority projects.



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The Province of British Columbia advanced \$51.8 million as part of their Provincial Transit Plan in March 2008. This funding from the province has been allocated to partly fund 14 additional Mark II SkyTrain vehicles, 20 additional articulated electric trolleys, 56 hybrid buses and the third SeaBus.

Senior government contributions towards the Canada Line project have decreased substantially as the project nears completion, now estimated to be ahead of schedule. In 2008, \$93.4 million (2007 – \$240.7 million) was received from this project's funding partners: Government of Canada \$24.7 million (2007 – \$167.4 million), Province of British Columbia \$59.6 million (2007 – \$58.4 million), and the City of Vancouver \$7.1 million (2007 – \$14.9 million) and City of Richmond \$2 million (2007 – Nil).

Interest income in 2008 was \$4.1 million lower compared to 2007, as result of the overall decrease in senior government funding mentioned above and an overall decrease in liquidity (refer to commentary under next section titled Liquidity & Capital Resources). Senior government funding continues to be received before the funds are spent on eligible capital, although in the case of Canada Line construction has been well ahead of budget and thus this project has been a lot less liquid than in previous years as cash is needed to meet progress payments to the construction concessionaire (In Transit BC).

Major Road Network capital funding was \$35.5 million more compared to 2007. Minor road programs and Bicycle Infrastructure Capital Cost Sharing programs saw very similar levels of spending compared to 2007, but it was the significant progress payments towards the Coast Meridian Overpass major road project of \$43.4 million (2007 – \$2.1 million) that accounted for most of the increase. The 204th Street Overpass major road project consumed \$4.2 million (2007 – \$1.3 million). No contributions to the Fraser Highway Widening project were required in 2008 (2007 – \$8.6 million).

Interest on debt increased by \$5.8 million compared to 2007. This partly reflects long-term debt (including the current portion) increasing to \$1,822.7 million at the end of 2008, (2007 – \$1,675.0 million). The bond interest increase of \$11.9 million was partly offset by a \$1.9 million decrease in short-term borrowing costs (reduced utilization of the MFA short-term borrowing facility) and a \$4.2 million increase in interest capitalized during construction, reflecting the higher annual average level of capital work-in progress in 2008 compared to 2007. In particular the Canada Line and Golden Ears Bridge projects drive a large portion of this capitalized interest in both 2007 and 2008.

Amortization of capital assets increase of \$13.2 million over 2007 reflects the significant additions to the in-service capital asset base in both 2007 (the annualization of part-year amortization of 2007 additions) and 2008, particularly in revenue vehicles that saw an increase of \$113.1 million in 2008 (2007 – \$251.6 million). In 2008 this reflects the delivery and acceptance of the 20 replacement New Flyer articulated electric trolley buses, 69 expansion Nova buses, 9 express highway coaches, 55 community shuttle vehicles and 69 HandyDART vehicles.

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Gain/(loss) on foreign exchange relates to the hedging of the foreign currency exposure on the import purchase denominated in Euro dollars. There was no Euro dollar forward contracts held as at December 31, 2008.

Fair value adjustment on financial instruments of \$4.1 million (2007 – \$7.2 million) has been fully explained in note 4 to the consolidated financial statements. It represents the reduction in the fair value of the original cost of the Canadian non-bank sponsored Asset-Backed Commercial Paper held by a subsidiary of the Authority.

Loss on disposal of capital assets reflects that a number of buses that were retired and sold for scrap in 2008 which still had a net book value in excess of their proceeds on the disposal. In both 2007 and 2008, all of the 244 trolley buses bought in 1982 and about 40 diesel buses bought in 1989 and 1990 were disposed of. However, some refurbishment costs had not yet been fully depreciated and their individual net book values exceeded their scrap values.

LIQUIDITY AND CAPITAL RESOURCES

The sources of funds for operations, capital expenditures and debt service payments are primarily from taxation, transit revenues, capital contributions from senior levels of government and issuance of long-term debt.

Operating activities: Cash provided by operations was \$257.1 million (2007 – \$442.9 million). The decrease of \$185.8 million is summarized as follows:

	2008	2007	Change
General Fund	146,236	212,967	(66,731)
Capital Fund	20,015	180,829	(160,814)
AirCare - Net	1,299	(1,385)	2,684
Fund Contributions	167,550	392,411	(224,861)
Items not involving cash			
Amortization of capital assets	88,447	75,104	13,343
Others	12,324	15,749	(3,425)
Changes in non-cash working capital	(11,259)	(40,353)	29,094
Cash provided by operations	257,062	442,911	(185,849)

- 1 Reference is made to CONSOLIDATED STATEMENT OF OPERATIONS for analysis of fund contributions.
- 2 Includes accounts receivables, inventory, prepaid expenses, accounts payable, and employee future benefits.



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The increase in transportation operation cost and a reduction in capital contributions has been the main cause of this sizable decrease in cash provided by operations.

Investing activities: Cash invested was \$392.0 million compared to \$761.5 million for 2007, a net decrease of \$369.5 million.

	2008	2007	Change
Purchase of Capital assets	(433,744)	(632,839)	199,095
Financial instrument assets	41,698	(128,686)	170,384
Cash used for investments	(392,046)	(761,525)	369,479

The main reason for the decrease in purchase of capital assets was a slowdown in expenditures on Canada Line construction as the project nears completion. In 2008, the Canada Line investment was \$163.2 million (2007 – \$336.7 million). Other significant 2008 investments include \$113.1 million for buses (2007 – \$251.6 million).

The significant decrease in financial instruments is a result of the \$327 million bond issue made close to the end of 2007, majority of these funds needed to be invested temporarily until required in 2008. In 2008 a more modest bond issue of \$150 million was made towards the end of 2008 leaving less funds requiring investment over the 2008 year end.

Financing activities: Financing activities resulted in net proceeds of \$68.4 million compared to \$410.4 million in 2007.

	2008	2007	Change
Bonds issued	150,000	527,000	(377,000)
Bonds issue costs	(1,125)	(3,952)	2,827
Bonds matured	(1,917)	(76,869)	74,952
Increase in debt sinking funds	(78,542)	(24,580)	(53,962)
Principal payments on capital leases	-	(11,171)	11,171
Cash provided by financing activities	68,416	410,428	(342,012)

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Bonds are issued through the Municipal Finance Authority of British Columbia (MFA). MFA is the central borrowing agency responsible for financing capital requirements of municipalities and regional districts in the Province. The MFA credit ratings are among the highest in Canada and are rated by Standard & Poor's, AAA; Moody's Investor Services, Aaa; and Fitch Ratings, AAA. In addition, TransLink has also been rated by Moody's, Aa3 Stable and by Dominion Bond Rating Service, AA Stable.

- Contributions to the debt sinking funds, including interest earned, are used to repay the related debt at maturity.
- Long-term debt (including the current portion) at 2008 was \$1,822.7 million (2007 \$1,675.0 million).
- At the end of 2008 and 2007 there was no longer any obligation under capital leases. All Capital leases are fully paid out in 2007.

The following summarizes the change in Cash balance during the year:

	2008	2007	Change
Operations	257,062	442,911	(185,849)
Investing	(392,046)	(761,525)	369,479
Financing	68,416	410,428	(342,012)
(Decrease)increase in cash	(66,568)	91,814	(158,382)
Cash, beginning of year	113,271	21,457	91,814
Cash, end of year	46,703	113,271	(66,568)

As evidenced from above, both the operating and financing activities have been major sources of funding for the continued large investing activities of the organization.



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INVESTMENT IN CAPITAL ASSETS

TransLink requires continued investment in fleet and infrastructure to increase the capacity of the transportation network, and to maintain and improve service reliability, safety, and environmental performance. Notable activities during 2008 for the three major construction projects and vehicle, facilities and roads capital programs include:

Canada Line

- Construction is ongoing and is progressing ahead of schedule.
- Planned opening in summer fall 2009.
- The Project remains on budget; all scheduled contributions from funding agencies have been received.
- Status of the main components of the project as follows:
 - Bored Tunnels: Track and systems installation work is nearly complete in the tunnels.
 Testing & Commissioning activities are progressing well; trains are expected to reach the northern terminus, Waterfront Station, in early 2009.
 - Cut-and-Cover Tunnels: Track and systems installation work is complete in the cut-and-cover tunnel on Cambie Street.
 - Elevated Guideways: Track and systems installation work is complete.
 - Stations: Construction is continuing at all stations.
 - Vehicles: All Canada Line vehicles have been delivered.
 - Operations and Maintenance Centre: Construction complete.

Evergreen Line

- TransLink and the Province of British Columbia entered into a Memorandum of Understanding in July 2008, establishing roles and responsibilities for the project. The project will be delivered by the Ministry of Transportation under the direction of a project board, which includes TransLink representatives.
- Work has commenced on the project definition phase and delivery options analysis. The procurement phase is scheduled to commence in 2010.
- Funding agreements are anticipated to be executed before the end of 2009. TransLink's funding commitment is capped at \$400 million, and is subject to TransLink Board and Mayors' Council approval of the necessary supplements for the 2010 10-Year Plan.

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Golden Ears Bridge

- The final deck sections of the Golden Ears Bridge are in place, and construction is now in the finishing stages. The bridge is expected to open to traffic in late spring 2009.
- The installation, testing and commissioning of the electronic tolling system is on track for completion prior to the substantial completion of the bridge project.
- Tolls will not be collected for the first month that the bridge is in service. A customer service centre will be opened early in the second quarter of 2009.

Fleet

- Bus fleet deliveries:
 - Diesel 69 forty-foot vehicles and 9 highway coaches.
 - Trolley 20 sixty-foot articulated vehicles.
 - Other 55 Community Shuttle vehicles and 69 HandyDART vehicles.
- Third SeaBus: Contract awarded and construction begun. September 2009 completion date anticipated.
- SkyTrain vehicles: Construction commenced on 34 additional MKII SkyTrain Vehicles. Delivery of first vehicles scheduled for early 2009.

Facilities

- Maintenance and Transportation Training Centre: Design consultant has been retained and Development Permit design is underway. Pre-construction contractor has been retained and preload is in place.
- SkyTrain Operations and Maintenance Centre Expansion (OMC): The expansion of the OMC is progressing on schedule with completion of project by August 2009.
- Broadway Station Improvements: The Broadway/Commercial Transit Village is part of the Urban Transportation Showcase Project. Construction for Phase 1 is currently underway and on schedule for completion in 2009. Phase 2 concept development is in progress.
- Metrotown Station Improvement: A concept design for a major upgrade to the station was completed in 2007. Further development of the design concept will be undertaken in 2009, however funding to complete Preliminary Design has not yet been approved.
- Main Station Improvement: Concept and preliminary design has been completed, which include improved access, passenger circulation and passenger environment on both the east and west side of the station. Detailed design is almost complete. The project will proceed to construction pending confirmation of funding from senior levels of government.



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Roads & Bridges

- North Fraser Perimeter Road: This project is currently in the planning stage. TransLink is still negotiating with the City of New Westminster, and is conducting a "Corridor Definition Study" involving the City of New Westminster and others.
- Fraser Highway Widening: Construction is on going. In 2008, the final \$4 million of the total \$45 million funding was committed to this project which will widen Fraser Hwy to a consistent four lanes. This project is being managed by the City of Surrey.
- Coast Meridian Overpass: Construction is on going, with completion anticipated in 2010.
- Main Street Widening: Allocated up to \$5 million to fund the widening of Main Street between
 Mountain Hwy and Brooksbank. Planning work is on-going, TransLink staff are working with
 Transport Canada and numerous other potential funding partners through the North Shore Trade
 Area Study.
- Murray-Clarke Connector: Potential impacts of the new alignment of the Evergreen rapid transit line on this project are being taken into account.
- Roberts Bank Rail Corridor: TransLink committed \$50 million to this \$307 million program and signed a Memorandum of Understanding with numerous other funding parties. TransLink is managing the Program on behalf of the funding partners.
- Knight Street Bridge: General rehabilitation and seismic upgrading construction work is on going.

At December 31, 2008, TransLink has a total capital asset value of \$4.0 billion. In addition, TransLink also operates, maintains and upgrades \$1.6 billion worth of capital assets owned by the Province of BC, including the SkyTrain Expo Line, Millennium Line and West Coast Express infrastructures.

RISK MANAGEMENT

TransLink has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. These risks are classified as strategic/political/reputation, financial, human resources, business effectiveness, health & safety, environmental, reporting and regulatory/legal.

TransLink's risk management framework guides our risk taking activities in order to align with our strategic objectives. The framework provides for the direct management of each individual risk type and also the management of risks on an integrated basis.

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TransLink is exposed to various risks resulting from inadequate controls or failed internal processes or systems, human interactions or external events. All business units of TransLink are responsible for identifying, evaluating, managing and internally reporting on risks within TransLink. The executive management team is responsible to the Board for the execution of the risk management processes.

Mitigation of certain exposures is provided through insurance. TransLink purchases insurance in amounts that provide protection against unexpected loss and when insurance is required by law, regulation or contractual agreement.

LOOKING AHEAD

Outlook

Looking ahead to 2009, the focus will be to deliver service expansion, ensure Olympic readiness, obtain adequate sustainable funding and realign the corporation for growth.

The organization will be embarking upon one of its largest service expansions ever. The Golden Ears bridge will be opening in summer, directly connecting Maple Ridge and Pitt Meadows with Surrey and Langley. It will significantly reduce travel times and improve the movement of people, goods and services across the Fraser River. The Albion Ferry service will be decommissioned shortly after the bridge opens. In early autumn, Canada Line, a new rapid transit system will run between Waterfront Centre, Richmond and Vancouver International Airport in 25 minutes or less. A third Sea Bus is scheduled for commissioning before the end of the year, providing improved service between the North Shore and downtown Vancouver. In addition, during the year there will be significant bus expansion into the transit network all while maintaining our existing service quality, efficiency and effectiveness.

The 2010 Olympics and Paralympics Winter Games will present a unique transportation opportunity in which TransLink can showcase our transportation system to the world and local community. TransLink has commenced implementation of its detailed integrated operational plans, ensuring that resources are in place and ready to deliver an estimated 1,000,000 rides on public transit each day. This will represent an approximately 30 per cent lift in ridership, a new daily record. Implementation activities are also underway for a fully integrated contingency plan, as well as leading two partner-initiatives such as the temporary regional Transportation Management Centre, and the implementation of Transportation Demand Management efforts to reduce vehicle traffic during the Games by at least 30 per cent. TransLink's efforts and services are vital to the successful operation of the 2010 Winter Olympic Games and ensuring a positive and lasting legacy for the region.



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(tabular amounts in thousands of dollars)

As the population continues to grow within our region, there is strong support that there needs to be significant investments in the transportation infrastructure, if our region wants to maintain its "livability" status and meet the objectives in Transportation 2040 Plan. In legislation, any expansion beyond what is affordable within TransLink's current revenues will require an extensive consultation process with our key stakeholders and the public. TransLink has started its consultation with key stakeholders, the public, and our elected officials, and is using a variety of medium, including a dedicated website, to build understanding and consensus.

Expanded programs and funding sources will require the approval of a Supplemental Plan from the Mayors' Council and the Regional Transportation Commissioner. The cost of expansion and delivering on previous service commitments will force TransLink to draw down on its accumulated funding reserves in 2009. This is not sustainable; going forward at the current level of service TransLink will exhaust its reserves by 2011. In order for TransLink to meet the current demands and invest in future, TransLink will require a Supplemental Plan. Our challenge will be to attain a consensus on what will be the most appropriate means to fund what is required to support increased investment. As well, many of the proposed new sources will require the co-operation of senior government to implement.

If a Supplemental Plan is not approved by the Mayors' Council, TransLink will be forced to live within its current revenues and will be making aggressive adjustments to its service plans as early as 2010. The West Coast Express railcar, although approved in the 2009 Capital, would be sold if Supplemental funding is not approved.

If TransLink's plan is approved for funding, the organization needs to prepare itself for significant expansion. Prior to the implementation phase, it is essential that the company examines the organization to identify and take advantage of economies of scale and to eliminate duplicate processes. This examination will undertake a review of processes and structures, starting with services that are common to all entities within the corporate family. With the implemented changes in business practices across TransLink agencies, it will be in a better position to deliver in a more cost-effective and efficient manner. In the interim there has been curtailment on any expenditures that would not be required if funding is not approved to maintain the existing level of service.

TransLink will meet its service commitments with current funding and a \$103 million draw on its accumulated reserve. There are risks, with the most significant being the Golden Ears Bridge toll revenue, real estate revenue, fuel costs, and interest. Toll revenue is difficult to predict, as this is the first toll bridge for TransLink, or for any other agency within the region for a long time. With the downturn in the real estate market, there is uncertainty on the ability to meet the real estate revenue target. Fuel costs have an impact on our transit costs, fuel tax revenues, ridership and required

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(tabular amounts in thousands of dollars)

capacity. Fuel tax revenues represent 26 per cent of revenue and fuel costs are 9 percent of our transit operating budget costs. TransLink pays carbon tax on fuel purchases and we are exploring the criteria for applying for rebates, similar to municipalities. Interest rates impact our cost to borrow and fund infrastructure. Long-term borrowing for 2009 is estimated to be \$450 million. A one per cent increase to the currently projected long-term rate would increase annual cost by \$4.5 million.

2009 will be a challenging and exciting year for TransLink. There is significant support for the need to invest and sustain our status as the most livable region, but we will require consensus on what form new revenues should take to fund the required expansion.

GOVERNANCE FRAMEWORK

The South Coast British Columbia Transportation Authority Act (the Act) establishes a multi-tiered governance structure for TransLink that includes the following entities: the Board of Directors, the Mayors' Council on Regional Transportation and the Regional Transportation Commissioner. In addition, a Screening Panel, established annually, is responsible for nominating candidates for appointment to the Board and setting Director Compensation.

Mayors' Council

The Mayors' Council is comprised of representatives of the 21 municipalities and the treaty First Nation in the transportation service region. The Mayors' Council appoints the Board of Directors, the Regional Transportation Commissioner and up to two Deputy Commissioners, subject to processes stipulated in the Act. It approves or rejects any supplements to TransLink's 10-year strategic plan.

Regional Transportation Commissioner

The Regional Transportation Commissioner is appointed by the Mayors' Council. The Commissioner advises TransLink and the Mayors' Council of the reasonableness and appropriateness of the projections and parameters included in the base plan submitted by TransLink each year. The Commissioner also approves cash fare increases above inflation, and approves TransLink's plans for annual customer surveys, its customer complaint process and any proposed disposition of major assets.

Screening Panel

The Screening Panel is established annually and comprised of one eligible individual appointed by each of the following entities: the Minister of Transportation, the Mayors' Council, the Institute of Chartered Accountants of British Columbia, the Vancouver Board of Trade, and the Greater Vancouver Gateway Society. The Screening Panel nominates candidates for appointment to the Board and sets the level of compensation payable to the Board members.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

Board of Directors

The Board is the legal governing body of TransLink and has responsibility for stewardship of the affairs of TransLink by overseeing the conduct of business, supervising Management (which is responsible for the day-to-day conduct of the business), and endeavouring to ensure that all major issues affecting the business and affairs of TransLink are given proper consideration. The Board appoints the Chief Executive Officer (CEO) and delegates responsibility to the CEO for the day-to-day leadership and management of the organization.

In performing its functions, the Board is responsible for fostering the long-term success of TransLink and considering the legitimate interests held by stakeholders, including the Mayors' Council, the Provincial Government, suppliers, customers, the public, and TransLink employees. The Board has responsibility and the mandate to make decisions in the interest of TransLink within the limits established by the Act.

As of January 1, 2009, the Board is comprised of the following Directors:

Chair: Dale Parker

Members: Jamie Bruce, Cindy Chan Piper, R.W. (Bob) Garnett, Sarah Goodman, Howard Nemtin, Nancy Olewiler, Robert Tribe, David Unruh

The Board Governance Manual defines the roles and responsibilities and the processes for accountability of the Board, Board Chair, Committees, Committee Chairs and Directors, and establishes guidelines that outline how the Board will carry out its duties of stewardship and accountability. The Board Manual incorporates the Board's responsibilities as set out in the Act.

Nomination of Directors

The Board is composed of nine part-time Directors appointed by the Mayors' Council from a list of nominees recommended by the Screening Panel. The terms of the first Directors (appointed effective January 1, 2008) are: three Directors appointed for three years, three Directors appointed for two years, and three Directors appointed for one year. Thereafter, each Director is appointed for a three year term. Directors may be re-appointed and may serve for a maximum of six years.

The recruitment of Directors is undertaken with the objective of ensuring the Board is composed of members who have the skills and experience to effectively monitor the performance of TransLink, and add value and provide support to Management in establishing strategy, reviewing risks and opportunities, and accountability to the public. Pursuant to the Act, the Board must establish a Board Skills and Experience Profile which is recorded in the Articles, and reflects the personal characteristics and specific competencies viewed as required for the Board.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

In order to provide guidance on the skills and experience required in new Director Candidates, the Governance Committee develops and updates a Director Recruitment Profile that sets out the skills and experience sought in new Director Candidates. The Director Recruitment Profile is developed considering the optimal board composition as set out in the Board Skills and Experience Profile, the skills and experience of existing Directors, and the "gaps" to be filled by the appointment of new Directors.

The Board Skills and Experience Profile and Director Recruitment Profile are provided to the Mayors' Council and Screening Panel, who use them as the basis for nominating and selecting the Directors. The Screening Panel is required to nominate at least five candidates for appointment by September 15 of each year. The Mayors' Council is to appoint three of the nominees as Directors within 45 days of receiving the Screening Panel's list of nominees.

Compensation

The Screening Panel sets the compensation for the Directors, Pursuant to the Act, the Screening Panel conducts an annual review of Director compensation to ensure Directors are appropriately compensated for their contributions. In making its recommendations to the Board, the Screening Panel takes into account the types of compensation and the amounts paid by other comparable companies. The Board is required to incorporate the Screening Panel's determination of compensation into the Articles and set guidelines for the payment of Director Compensation and reimbursement of expenses.

Board Meetings

The Board typically holds six regular business meetings per year. In addition, the Board holds a strategic planning session at least annually and may hold additional special meetings as required. The Board and Management recognize that there is a regular need for the Board to meet without Management in attendance. Every regular Board and Committee meeting is followed by an in camera meeting of Directors, without Management present.

TransLink values public input and participation and the Board believes that there are significant benefits for both the public and the Board through opportunities to receive direct public input. The Board publishes a summary of the items that it anticipates it will be deciding upon at a regularly scheduled Board meeting on the TransLink website five days before each of its meetings, and allocates time at the start of every meeting to receive presentations on items that will be decided during the meeting.

The Board will post a summary of any decisions made by the Board to the TransLink website, within two business days of the conclusion of a Board meeting. Decisions on matters that are deemed confidential by the Board will not be published.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

Code of Conduct

The Board Governance Manual sets out the Directors and Officers Code of Conduct and Conflict of Interest Guidelines, which provides general guidance on the standards of conduct expected of Directors and Officers. The purpose of the Code of Conduct is to promote honest and ethical conduct, focus the Directors and Officers of TransLink on areas of ethical risk, provide guidance to Directors and Officers to help them recognize and deal with conflicts of interest and ethical issues, provide mechanisms to report unethical conduct and help preserve the culture of honesty and accountability at TransLink and its subsidiaries. Directors are required annually to attest to their compliance with the Code of Conduct in writing.

In addition to the general provisions regarding conflict of interest outlined in the Board Manual, the Act sets out minimum standards with respect to conflicts of interest. In all cases where a Director has a systemic conflict the Director must eliminate the conflict or resign from the Board whereas in other cases, the Director must disclose the conflict in accordance with the provisions of the Code of Conduct. The objective of full disclosure is to enable Director to resolve unclear situations and to provide an opportunity to dispose of or appropriately address conflicting interest before any difficulty can arise.

TransLink has engaged a Conduct Review Advisor. The Conduct Review Advisor is a neutral and independent resource to provide a clear interpretation of the standards of business conduct and quidelines for conflict of interest.

Board Committees

Pursuant to the Act, TransLink may establish such committees as are appropriate to assist the Board in carrying out its work. Board committees analyze in depth, policies and strategies developed by management which are consistent with Committees' Charter. Committees examine proposals and, subject to limitations under applicable laws, make decisions or make recommendations to the full Board. Committees may not take action or make decisions on behalf of the Board unless specifically mandated to do so. Committee Chairs and members are appointed by the Board at the first Board meeting after January 1 of each year, on the recommendation of the Board Chair. Committee members and Chairs are appointed for one-year terms, may be appointed for consecutive terms, and may belong to more than one Committee at one time.

Audit Committee (at January 1, 2009)

Chair: Bob Garnett, CA Members: Jamie Bruce, Robert Tribe, David Unruh

The Audit Committee assists the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management and, when required, to make recommendations to the full Board for approval. On recommendation of the CEO, the Committee reviews and approves the terms of the Chief Financial Officer and Internal Auditor's engagement or termination.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

As well, the Audit Committee annually reviews any conflicts or complaints made by Directors and Officers under the Code of Conduct. TransLink's policy includes the right of any employee or other person to report an incident or matter directly to the Audit Committee Chair.

Audit Committee members have a working familiarity with finance and accounting practices, and at least one Committee member will have a professional accounting designation or related financial management expertise to be considered a financial expert.

Governance Committee (at January 1, 2009)

Chair: Jamie Bruce Members: Cindy Chan Piper, Sarah Goodman

The Governance Committee is appointed by the Board and has the mandate to: develop and recommend to the Board a set of corporate governance principles, make recommendations regarding the size, composition and charters of the committees of the Board; assist the Board and Board committees with the annual self-evaluation process; develop and recommend to the Board the Board Skills and Experience Profile; and assist the Board in identifying potential Board candidates to recommend to the Screening Panel as appropriate.

Human Resources and Compensation Committee (at January 1, 2009)

Chair: Nancy Olewiler Members: Sarah Goodman, Howard Nemtin

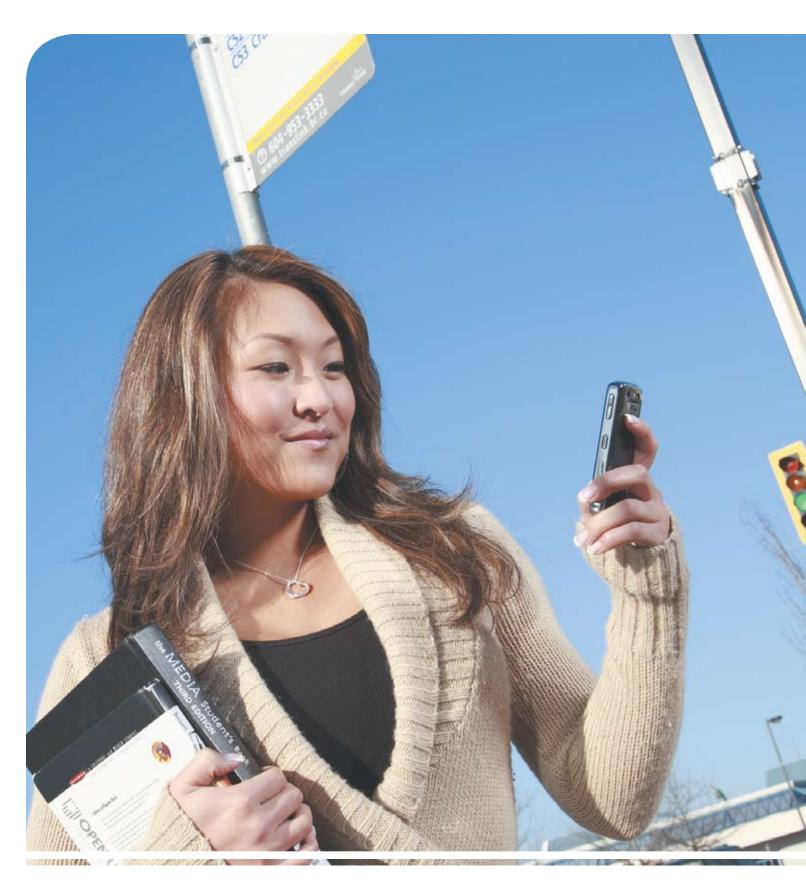
The Human Resources and Compensation Committee is appointed by the Board and has the mandate to assist the Board with respect to all matters relating to human resources, including CEO evaluation and compensation, management development, succession planning, executive compensation, and significant human resource polices.

Major Capital Projects Committee (at January 1, 2009)

Chair: David Unruh Members: Cindy Chan Piper, Robert Tribe

The Major Capital Projects Committee is appointed by the Board and has the mandate to assist the Board in carrying out its oversight responsibilities with respect to the planning, development and construction of TransLink's major capital projects, exposure to potential cost and schedule variations concerning TransLink's major capital projects, and making recommendations to the Board as appropriate. Projects with a capital value in excess of \$50 million are considered a major capital project. As well, all projects that involve an alternative to the traditional design/build procurement model are delegated to the Committee for oversight.





TransLink 2008 Annual Report

CONSOLIDATED FINANCIAL REPORT

	Management's Responsibility for
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 - Consolidated Statement of Operations
 - and Changes in Fund Balances 45
 - Consolidated Statement of Cash Flows 46
 - Notes to Consolidated Financial Statements 47

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Scope of Responsibility

Management prepares the accompanying financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements include amounts that are based on management's estimates and judgements. We believe that these statements present fairly the South Coast British Columbia Transportation Authority's financial position and results of operations and that the other information contained in the annual report is consistent with the financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors who independently review and evaluate these controls. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired while providing reasonable assurance that those errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Audit Committee, composed of members of the board of directors, oversees management's discharge of its financial reporting responsibilities. The committee recommends for approval to the board of directors, the appointment of the external auditors and fee arrangements. The committee meets regularly with management, our internal auditors and representatives of our external auditors to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems, and it reviews and approves major accounting policies, including alternatives and potential key management estimates or judgements. Both internal and external auditors have access to the Audit Committee without management's presence. The Audit Committee has reviewed these financial statements prior to recommending approval to the board of directors. The board of directors has reviewed and approved the financial statements.

On behalf of the South Coast British Columbia Transportation Authority:

TOM PRENDERGAST | Chief Executive Officer

IAN JARVIS | Chief Financial Officer

AUDITORS' REPORT

To the Members of the Board of the South Coast British Columbia Transportation Authority

We have audited the consolidated statement of financial position of the South Coast British Columbia Transportation Authority (the "Authority") as at December 31, 2008 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS | Vancouver, Canada. February 26, 2009



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008, WITH COMPARATIVE FIGURES FOR 2007

(in thousands of dollars)

ASSETS Current assets: Cash \$34,023 \$ - \$12,680 \$46,703 \$113 Short-term investments 54,227 - 73,438 127,665 177 Accounts receivable 52,684 180 - 52,864 56 Supplies inventory (note 3) 32,577 - 632,577 26 Frepaid expenses 5,424 15 - 5,439 5 Frepaid expenses 178,935 195 86,118 265,248 376 Interfund 541,097 (1,404) (539,693) - 6 Long-term investments (market value - \$67,607; 2007 - \$71,561) (note 4) 21,955 - 45,200 67,155 77 Debt reserve deposits (note 5) - 40,686 40,686 37 Debt sinking funds (note 6) - 40,686 40,686 37 Debt sinking funds (note 6) - 1,083 3,976,328 3,977,411 3,097 EILABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$18,865 295 72,391 231,551 233 Employee future benefits (note 9) 41,817 - 72,391 231,551 233 Employee future benefits (note 9) 41,817 - 441,817 33 Deferred Concessionaire credits (note 10) 539,693 - 742,391 231,551 233 Employee future benefits (note 9) 41,817 - 441,817 33 Employee future benefits (note 9) 41,817 - 472,391 231,551 233 Employee future benefits (note 10) 539,693 - 75,286 1,750,286 1,			Restricte	d Funds		
ASSETS Current assets: Cash \$ 34,023 \$ - \$ 12,680 \$ 46,703 \$ 117. Accounts receivable \$ 52,684 \$ 180 - 52,864 \$ 55. Supplies inventory (note 3) 32,577 32,577 26. Prepaid expenses \$ 5,424 \$ 15 - 5,439 \$ 5. Prepaid expenses \$ 178,935 \$ 195 \$ 86,118 \$ 265,248 \$ 376. Interfund \$ 541,097 \$ (1,404) \$ (539,693) \$ (56,67),2007 - \$71,551) (note 4) \$ 21,955 - 45,200 \$ 67,155 \$ 77. Debt reserve deposits (note 5) 40,686 \$ 40,686 \$ 37. Debt reserve deposits (note 6) 360,787 \$ 360,787 \$ 28. Capital assets (note 7) \$ 741,987 \$ (126) \$ 3,969,326 \$ 4,711,287 \$ 3,855. LIABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$ 158,865 \$ 295 \$ 72,391 \$ 231,551 \$ 235. Employee future benefits (note 9) \$ 41,817 41,817 \$ 3. Deferred Concessionaire credits (note 10) \$ 539,693 539,693 \$ 266. Golden Ears Bridge contractor liability (note 14(h)) 805,195 \$ 805,195 \$ 538. Non-controlling interest in Transportation Properly and Casualty Company Inc. \$ 1,721 1,750,286 \$ 1,		General		Capital	 Total	Tota
Current assets: Cash \$34,023 \$ - \$12,680 \$46,703 \$11: Short-term investments 54,227 - 73,438 127,665 177. Accounts receivable 52,684 180 - 52,864 55 Supplies inventory (note 3) 32,577 32,577 28 Prepaid expenses 5,424 15 - 5,439 5 Prepaid expenses 178,935 195 86,118 265,248 376 Interfund 541,097 (1,404) (539,693) - Long-term investments (market value - \$67,607; 2007 - \$71,561) (note 4) 21,955 - 45,200 67,155 77 Debt reserve deposits (note 5) 40,686 40,686 33 Debt sinking funds (note 6) 40,686 40,686 33 Capital assets (note 7) - 1,083 3,976,328 3,977,411 3,09 \$741,987 \$ (126) \$3,969,426 \$4,711,287 \$3,855 LIABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$158,865 \$295 \$ - \$159,160 \$166 Current portion of long-term debt (note 8) 72,391 72,391 66 Current portion of long-term debt (note 8) 72,391 72,391 66 Current spring furture benefits (note 9) 41,817 41,817 33 Deferred Concessionaire credits (note 10) 539,693 539,693 26 Coldien Ears Bridge contractor liability (note 14(h)) 805,195 805,195 538 Long-term debt (note 8) 1,750,286 1,750,286 1,605 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 1,750,286 1,211,318 100 Environmental assets (note 13(a)) - 1,083 1,210,236 1,211,319 926 Externally restricted (note 13(b)) - 1,083 1,210,236 1,211,319 926 Externally restricted (note 13(b)) - 1,083 1,210,236 1,211,319 926 Externally restricted (note 13(b)) - 1,131 1,318 131,318 100 Unrestricted (deficit) (109) (1,504) - (1,613) 138		Fund	AirCare	Fund	2008	200
Cash	ASSETS					
Short-term investments	Current assets:					
Accounts receivable 52,684 180 - 52,864 56 Supplies inventory (note 3) 32,577 - 325,777 28 Prepaid expenses 5,424 15 - 5,439 5 178,935 195 86,118 265,248 376 Interfund 541,097 (1,404) (539,693) - Interfund 541,098 (1,404) (1,4	Cash	\$ 34,023	\$ -	\$ 12,680	\$ 46,703	\$ 113,27
Supplies inventory (note 3) 32,577 32,577 28 Prepaid expenses 5,424 15 - 5,439 5 178,935 195 86,118 265,248 376 Interfund 541,097 (1,404) (539,693)	Short-term investments	54,227	-	73,438	127,665	172,35
Prepaid expenses	Accounts receivable	52,684	180	_	52,864	56,79
178,935	Supplies inventory (note 3)	32,577	_	_	32,577	28,61
Section Sect	Prepaid expenses	5,424	15	_	5,439	5,32
Long-term investments (market value – \$67,607; 2007 – \$71,561) (note 4) 21,955 – 45,200 67,155 7: Debt reserve deposits (note 5) – 40,686 40,686 3: Debt sinking funds (note 6) – 360,787 360,787 28: Capital assets (note 7) – 1,083 3,976,328 3,977,411 3,09: \$741,987 \$ (126) \$3,969,426 \$4,711,287 \$3,859 LIABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$158,865 \$295 \$ – \$159,160 \$168 Current portion of long-term debt (note 8) – 72,391 72,391 66 Current portion of long-term debt (note 8) – 72,391 231,551 233 Employee future benefits (note 9) 41,817 – 41,817 3: Deferred Concessionaire credits (note 10) 539,693 – 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) – 805,195 805,195 538 Long-term debt (note 8) – 71,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 – 1,721 – 1,721 Typerty and Casualty Company Inc. 1,721 Typerty and Casualty Company Inc		178,935	195	86,118	265,248	376,35
\$67,607; 2007 – \$71,561) (note 4) 21,955 — 45,200 67,155 77 Debt reserve deposits (note 5) — — — 40,686 40,686 37 Debt sinking funds (note 6) — — — 360,787 360,787 283 Capital assets (note 7) — 1,083 3,976,328 3,977,411 3,097 \$741,987 \$ (126) \$3,969,426 \$4,711,287 \$3,855 LIABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$158,865 \$295 \$ — \$159,160 \$168 Current portion of long-term debt (note 8) — — — 72,391 72,391 65 Employee future benefits (note 9) 41,817 — — 41,817 33 Deferred Concessionaire credits (note 10) 539,693 — — — 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) — — 805,195 805,195 538 Long-term debt (note 8) — — 1,750,286 1,750,286 1,605 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 — — — 1,721 — Property and Casualty Company Inc. 1,721 — — — 1,721 — — 1,721 — Total casualty Company Inc. 1,721 — — — 1,721 — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — — 1,721 — — — — — 1,721 — — — — — 1,721 — — — — — 1,721 — — — — — — 1,721 — — — — — — — — — — — — — — — — — — —	interfund	541,097	(1,404)	(539,693)	_	
Debt reserve deposits (note 5)	Long-term investments (market value –					
Debt sinking funds (note 6)	\$67,607; 2007 – \$71,561) (note 4)	21,955	_	45,200	67,155	71,35
State Capital assets (note 7)	Debt reserve deposits (note 5)	_	_	40,686	40,686	37,59
\$ 741,987 \$ (126) \$3,969,426 \$ 4,711,287 \$ 3,859 LIABILITIES AND FUND BALANCES (DEFICIT) Current liabilities: Accounts payable and accrued liabilities \$ 158,865 \$ 295 \$ - \$ 159,160 \$ 168 Current portion of long-term debt (note 8) 72,391 72,391 69 Employee future benefits (note 9) 41,817 41,817 37 Deferred Concessionaire credits (note 10) 539,693 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) 805,195 805,195 538 Long-term debt (note 8) - 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 1,721 7 T42,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) - 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) - 131,318 131,318 104 Unrestricted (deficit) (109) (1,504) - (1,613) 138 Unrestricted (deficit) (109) (1,504) - (1,613) 138	Debt sinking funds (note 6)	_	_	360,787	360,787	282,24
Current liabilities: Accounts payable and accrued liabilities \$ 158,865 \$ 295 \$ - \$ 159,160 \$ 168 \$ 158,865 \$ 295 \$ 72,391 72,391 69 \$ 158,865 \$ 295 \$ 72,391 72,391 69 \$ 158,865 \$ 295 \$ 72,391 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 231,551 \$ 233 \$ 233 \$ 233,551 \$ 233,551 \$ 233 \$ 233,551 \$	Capital assets (note 7)	_	1,083	3,976,328	3,977,411	3,091,86
Current liabilities: Accounts payable and accrued liabilities \$ 158,865 \$ 295 \$ - \$ 159,160 \$ 168 Current portion of long-term debt (note 8) 72,391 72,391 65 158,865 295 72,391 231,551 233 Employee future benefits (note 9) 41,817 41,817 35 Deferred Concessionaire credits (note 10) 539,693 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) 805,195 805,195 538 Long-term debt (note 8) - 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 1,721 742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) - 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) 131,318 131,318 106 Unrestricted (deficit) (109) (1,504) - (1,613) 138 Unrestricted (deficit) 1,341,024 1,173		\$ 741,987	\$ (126)	\$3,969,426	\$ 4,711,287	\$ 3,859,42
Accounts payable and accrued liabilities \$ 158,865 \$ 295 \$ - \$ 159,160 \$ 168 Current portion of long-term debt (note 8)						
Current portion of long-term debt (note 8) - - 72,391 72,391 65 Employee future benefits (note 9) 41,817 - - 41,817 33 Deferred Concessionaire credits (note 10) 539,693 - - 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) - - 805,195 805,195 538 Long-term debt (note 8) - - 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation - - 1,721 - - 1,721 - Property and Casualty Company Inc. 1,721 - - 1,721 - - 1,721 - Fund balances (deficit): Invested in capital assets (note 13(a)) - 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) - 1,083 1,210,236 1,211,319 928 Unrestricted (deficit) (109) (1,504) - (1,613) 138 Unrestricted (deficit) (109) (421) 1,341,554 1,341,024 1,173		¢ 150.065	¢ 20E	ď	¢ 150.160	¢ 160.25
Employee future benefits (note 9) 41,817 — — 41,817 33,693 — — 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) — — 805,195 805,195 538 Long-term debt (note 8) Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) Externally restricted (note 13(b)) Unrestricted (deficit) (109) (421) 1,341,554 1,341,024 1,173		\$ 100,000	\$ 295	*		\$ 168,25 65,31
Deferred Concessionaire credits (note 10) 539,693 — — 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) — — 805,195 805,195 538 Long-term debt (note 8) — — 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 — — — 1,721 — — 1,721 — — 1,721 — — 1,721 — — 1,721 — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — 1,721 — — — — — 1,721 — — — — 1,721 — — — — — 1,721 — — — — 1,721 — — — — — — 1,721 — — — — — — — 1,721 — — — — — — — 1,721 — — — — — — — — — — — — — — — — — — —	Current portion of long-term debt (note 8)	 158,865				233,57
Deferred Concessionaire credits (note 10) 539,693 — — 539,693 264 Golden Ears Bridge contractor liability (note 14(h)) — — 805,195 805,195 538 Long-term debt (note 8) — — 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 — — — 1,721 — —						
Golden Ears Bridge contractor liability (note 14(h)) – – 805,195 805,195 538 Long-term debt (note 8) – 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 – – 1,721 742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) – 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) – 131,318 131,318 106 Unrestricted (deficit) (109) (1,504) – (1,613) 138 (109) (421) 1,341,554 1,341,024 1,173		*	_	_		37,76
Long-term debt (note 8) 1,750,286 1,750,286 1,609 Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 1,721 742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) - 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) 131,318 131,318 106 Unrestricted (deficit) (109) (1,504) - (1,613) 138 (109) (421) 1,341,554 1,341,024 1,173		539,693	_	-		264,61
Non-controlling interest in Transportation Property and Casualty Company Inc. 1,721 742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) Externally restricted (note 13(b)) Unrestricted (deficit) (109) (1,504) (1,341,554 1,341,024 1,173		_	_		•	538,65
Property and Casualty Company Inc. 1,721 — — 1,721 742,096 295 2,627,872 3,370,263 2,685 2,685 2,6		_	_	1,/50,286	1,750,286	1,609,66
742,096 295 2,627,872 3,370,263 2,685 Fund balances (deficit): Invested in capital assets (note 13(a)) – 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) – – 131,318 131,318 106 Unrestricted (deficit) (109) (1,504) – (1,613) 138 (109) (421) 1,341,554 1,341,024 1,173	·	4 704			. ==.	
Fund balances (deficit): Invested in capital assets (note 13(a)) Externally restricted (note 13(b)) Unrestricted (deficit) (109) (1,504) (1,504) (1,341,554) (1,341,024) 1,173	Property and Casualty Company Inc.	<u> </u>	-	-	,	1,67
Invested in capital assets (note 13(a)) – 1,083 1,210,236 1,211,319 928 Externally restricted (note 13(b)) – 131,318 131,318 106 Unrestricted (deficit) (109) (1,504) – (1,613) 138 (109) (421) 1,341,554 1,341,024 1,173	- 11 / / / 6 / /	/42,096	295	2,627,872	3,370,263	2,685,94
Externally restricted (note 13(b))	· · · · · · · · · · · · · · · · · · ·					005
Unrestricted (deficit) (109) (1,504) – (1,613) 138 (109) (421) 1,341,554 1,341,024 1,173		_	1,083			928,23
(109) (421) 1,341,554 1,341,024 1,173			-	131,318		106,55
	Unrestricted (deficit)			-		138,68
A 744 007		(109)	(421)	1,341,554	1,341,024	1,173,47
\$ 741,987 \$ (126) \$3,969,426 \$4,711,287 \$ 3,859		\$ 741,987	\$ (126)	\$3,969,426	\$ 4,711,287	\$ 3,859,42

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

DALE PARKER | Chair

BOB GARNETT | Director

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE FIGURES FOR 2007 (in thousands of dollars)

			Restricted Fundament	ds		
	General		Capital			
	Fund	AirCare	Fund	Total	Total	Tota
	2008	2008	2008	2008	2008	2007
Revenue:						
Taxation	\$560,110	\$ -	\$ -	\$ -	\$ 560,110	\$ 568,632
Transit	359,911	_	_	_	359,911	327,761
AirCare	_	19,037	_	19,037	19,037	15,975
Capital contributions (note 11)	_	_	217,070	217,070	217,070	323,921
Interest income	_	_	24,415	24,415	24,415	28,522
_	920,021	19,037	241,485	260,522	1,180,543	1,264,81
Expenses:	660.000				660.000	505.05
Transportation Operations	660,829	_	_	_	660,829	595,351
Maintenance on Major Road Network	37,472	_	-	-	37,472	35,774
Major Road Network capital funding	_	-	64,710	64,710	64,710	29,238
AirCare – contracted and other services	-	16,029	_	16,029	16,029	15,701
Administration	38,179	1,370	_	1,370	39,549	31,524
Transit Police	22,051	_	_	_	22,051	17,901
Other projects	15,206	_	-	-	15,206	4,426
Interest on debt	_	_	63,414	63,414	63,414	57,605
Amortization of capital assets	_	339	88,108	88,447	88,447	75,104
	773,737	17,738	216,232	233,970	1,007,707	862,624
Excess of revenue over						
expenses before other items	146,284	1,299	25,253	26,552	172,836	402,187
Other items:						
Gain (loss) in foreign exchange	_	_	94	94	94	(1,774
Fair value adjustment on						
financial instruments (note 4)	_	_	(4,100)	(4,100)	(4,100)	(7,200
Loss on disposal of capital assets	_	_	(1,232)	(1,232)		(888)
Non-controlling interest in loss						
(income) of Transportation Property						
and Casualty Company Inc.	(48)	_	_	_	(48)	86
	(48)	_	(5,238)	(5,238)		(9,776
Excess of revenue over expenses	146,236	1,299	20,015	21,314	167,550	392,411
Fund balance (deficit), beginning of year						
As previously reported	141,525	(1,720)	1,033,669	1,031,949	1,173,474	781,063
Adjustment on adoption of	111,525	(1,720)	1,033,003	1,051,545	1,175,474	, 01,002
accounting policy (note 3)	(5,217)		5,217	5,217		
As restated	136,308	(1,720)	1,038,886	1,037,166	1,173,474	781,063
Net transfer between funds	(282,653)	_	282,653	282,653	_	
Fund balance (deficit), end of year	\$ (109)	\$ (421)	\$ 1,341,554	\$ 1,341,133	\$ 1,341,024	\$ 1,173,474

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE FIGURES FOR 2007

(in thousands of dollars)

	2008	2007
Cash provided by (used for):		
Operations:		
Excess of revenue over expenses	\$ 167,550	\$ 392,411
Items not involving cash (note 15)	100,771	90,853
Changes in non-cash working capital (note 15)	(11,259)	(40,353
	257,062	442,91
nvesting:		
Decrease (increase) in short-term investments	44,689	(64,043
Decrease (increase) in long-term investments	100	(57,384
Increase in debt reserve deposits	(3,091)	(7,25
Net proceeds from disposal of capital assets (note 13(a))	443	78
Purchase of capital assets	(434,187)	(633,62
	(392,046)	(761,52
Financing:		
Principal payments on capital leases	_	(11,17
Bonds issued	150,000	527,00
Issue costs on bonds issued	(1,125)	(3,95)
Bonds matured	(1,917)	(76,86
Increase in debt sinking funds (note 13(a))	(78,542)	(24,58)
	68,416	410,42
Increase (decrease) in cash	(66,568)	91,814
Cash, beginning of year	113,271	21,457
Cash, end of year	\$ 46,703	\$ 113,27°
Supplementary information:	¢ 01.620	¢ 77.25
Interest paid	\$ 91,629	\$ 77,25
Canada Line Concessionaire funding (note 10)	275,080	191,870
Golden Ears Bridge contractor funding (note 14(h))	266,540	338,64

See accompanying notes to consolidated financial statements.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

1 OPERATIONS:

The South Coast British Columbia Transportation Authority, formerly the Greater Vancouver Transportation Authority, (the "Authority" or "TransLink") was established in June 1998 as a not-for-profit organization under the Greater Vancouver Transportation Authority Act (the "Act") to provide for the planning, funding, management and operation of an integrated regional transportation system for the greater Vancouver region, effective April 1, 1999.

To achieve this, all transportation operations, assets and liabilities in the greater Vancouver region, formerly owned and operated by BC Transit, except those specified in Section 38 (8)(a) of the Act (most notably the SkyTrain Expo Line guideway and West Coast Express infrastructures), together with the shares of British Columbia Rapid Transit Company Ltd. ("BCRTC") and West Coast Express Limited ("WCE"), were transferred from the Province of British Columbia (the "Province") to the Authority. Also assumed by the Authority during 1999 was a 90% interest in Transportation Property and Casualty Company Inc. ("TPCC"), operations of the Albion Ferry, and administration of the AirCare program. The Authority also acquired a 100% interest in Canada Line Rapid Transit Inc. ("CLCO") in 2003 and Fraser Bridge Project Ltd. in 2004.

The Act was renamed in November 2007 by the British Columbia provincial legislature to South Coast British Columbia Transportation Authority Act and the name of the Authority was changed accordingly. The mandate of the Authority was reconfirmed with possible enlargement in the service region and additional funding sources.

2 SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

The consolidated financial statements follow the restricted fund method for accounting for contributions and reflect a combination of the Authority's General and Restricted Funds.

General Fund:

This fund includes the operations of the Authority and its subsidiaries, excluding AirCare, which is a restricted fund.

Restricted Funds:

Restricted funds include the AirCare and Capital funds.

(i) AirCare Fund:

This fund is used to record the operations of the AirCare Program, which is a self-funded program (note 13(b)).

(ii) Capital Fund:

This fund is used to record the acquisition costs of capital assets and any related long-term debt outstanding. This fund also includes the capital contributions received and the funding paid to the municipalities for the Major Road Network ("MRN").



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(a) Basis of presentation (continued):

The consolidated financial statements include the accounts of the Authority and its subsidiaries:

- (i) Coast Mountain Bus Company Ltd. ("CMBC") bus, seabus and community shuttle services;
- (ii) BCRTC SkyTrain service;
- (iii) WCE commuter rail system services;
- (iv) Fraser River Marine Transportation Ltd. ("FRMT") ferry services between Maple Ridge and Langley (Albion Ferry);
- (v) Pacific Vehicle Testing Technologies Ltd. ("PVTT") administration of AirCare program;
- (vi) CLCO oversees the study, design, construction, implementation and operation of a rapid transit line (the "Canada Line") from Richmond to the Vancouver International Airport and downtown Vancouver;
- (vii) Fraser Bridge Project Ltd. oversees the construction and implementation of the Golden Ears Bridge ("GEB");
- (viii) 592040 B.C. Ltd. development of intelligent transportation systems; and
- (ix) TPCC insurance liability coverage.

All subsidiaries are wholly owned except for TPCC, in which the Authority has a 90% interest, the remaining 10% interest is owned by British Columbia Transit.

All intercompany balances and transactions have been eliminated upon consolidation.

(b) Financial instruments:

The Authority accounts for its financial assets and liabilities in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, and CICA Handbook Section 3865, Hedges.

These Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

All financial assets and liabilities are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in fund balance. Loans and receivables, held-to-maturity financial investment and other financial liabilities are measured at amortized cost using the effective interest rate method.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(b) Financial instruments (continued):

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transaction that received hedge accounting.

The categories of the Authority's financial assets and liabilities are as follows:

Financial Assets

(i) Held for trading:

Cash:

Cash is classified as held for trading.

Long-term investments:

Long-term Investments include non-bank sponsored Asset-Backed Commercial Paper ("ABCP"), or replacement notes (note 4), are designated as held for trading and recorded at their estimated fair values in accordance with CICA Handbook Section 3855.

Short-term investments:

Short-term investments are fixed income investments with a term to maturity of three months or less from the date of purchase and are designated held for trading. All the gains and losses are included in net income in the period in which they arise.

(ii) Held-to-maturity:

Debt reserve deposits and debt sinking fund:

The Authority classifies debt reserve deposits (note 5) and debt sinking funds (note 6) as held-to-maturity recorded at their amortized costs as these assets are due when the related debt matures.

Long-term investments:

Long-term investments include bonds classified as held-to-maturity financial assets and recorded at amortized cost, with any premium or discount on purchase being amortized over the term to maturity of each investment using an effective yield method. Declines in value of investments are recognized only when the decline is considered to be other than temporary.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(b) Financial instruments (continued):

Financial Assets (continued)

(iii) Loans and receivables:

Accounts receivable:

Accounts receivable and accrued interest receivable are recorded at amortized cost less any impairment losses recognized.

Financial Liabilities

(iv) Held for trading:

The Authority does not currently hold any financial liabilities classified as held for trading.

(v) Other financial liabilities:

Long-term debt:

The Authority records long-term debt at their amortized costs. Debt transaction costs, financing costs and bond premium discounts are attributed to the debt incurred and amortized at the same effective rate and term as the underlying debt.

Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are recorded at cost.

(vi) Derivative financial instruments:

The Authority is party to forward foreign exchange contracts (used to manage foreign currency exposures on imported purchases). Gains and losses including fair value adjustments on forward foreign exchange contracts are recognized in income. The Authority does not utilize derivative financial instruments for trading or speculative purposes.

(c) Supplies inventory:

Supplies inventory is valued at the lower of average cost and net realizable value.

(d) Capital assets:

Capital assets have been recorded as follows:

- (i) Capital assets are recorded at cost, including capitalized interest as described in note 2(e).
- (ii) Capital assets, contributed by the Province and BC Transit to the Authority upon inception, were recorded at fair value at the date of contribution.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Capital assets (continued):

(iii) Amortization is provided on the cost less estimated salvage value on a straight-line basis over a period not exceeding the estimated useful lives as follows:

Asset	Years
Land improvements	30
Buildings	20 – 30
Revenue vehicles	5 – 20
Equipment	3 – 20
SkyTrain and WCE vehicles	30
SkyTrain equipment and system upgrade	20 – 30
AirCare equipment	6
Bridges	20
Capital spares	20

(e) Capitalization of interest:

Interest incurred in connection with capital acquisitions from the date of funds are advanced until the assets are placed in service for transportation purposes is capitalized. Interest capitalized during the year ended December 31, 2008 amounted to \$28,585,000 (2007–\$24,467,000).

(f) Major Road Network ("MRN"):

Part 2 of the Act provides that the Authority must establish a major road network comprising an integrated system of highways throughout the transportation service region and the Authority must contribute funds to the municipality for the purpose of constructing and maintaining any part of the MRN within that municipality.

The related assets created become the property of the appropriate municipalities who assume all the rights and obligations. As such, the funding provided by the Authority to the municipalities is expensed in the statement of operations as incurred.

(g) Pension plans and employee future benefits:

The Authority, its subsidiaries and employees make contributions to either the Public Service Pension Plan or other defined contribution pension plans. These contributions are expensed as incurred.

Post-retirement and post-employment benefits are also available to the majority of the Authority's employees. The cost of post-retirement benefits is actuarially determined, prorated on service and management's best estimate of retirement ages and expected health care costs. The cost of post-employment benefits to disabled employees is actuarially determined based on future projected benefits of currently disabled employees.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Pension plans and employee future benefits (continued):

The obligation under these post-retirement and post-employment benefit plans are accrued as the employees render services necessary to earn the future benefits. The measurement date of the accrued benefit obligation coincides with the Authority's fiscal year. The most recent actuarial valuation of the plans for funding purposes was December 31, 2008. The plans are unfunded and require no contributions from employees. Employer contributions are made based upon expected annual benefit payments.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) over 10% of the greater of the accrued benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-employment plan is 5 years (2007 – 5 years).

(h) Deferred Concessionaire credits:

Concessionaire credits are recorded when received from the Concessionaire and deferred until the Canada Line is put in service, at which time the credits will be amortized over the remaining term of the concession agreement.

(i) Revenue recognition:

The Authority follows the restricted fund method of accounting for contributions. Contributions from third parties for defined purposes are recognized as revenue in the year they are received in restricted funds. Contributions restricted for the purchase of capital assets are recognized as received in the Capital Fund. User fees received for AirCare are restricted for the recovery of program costs, therefore they are recognized in revenue in the restricted AirCare fund. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(j) Income and capital taxes:

The Authority is exempt from Canadian Federal and British Columbia Provincial income and capital taxes. The Authority's subsidiaries are filing on the basis that they are exempt from Canadian Federal and British Columbia Provincial income and capital taxes.

(k) Foreign currency translation:

Transactions of the Authority and its subsidiaries originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet dates. Foreign exchange gains and losses are included in income.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(I) Use of estimates:

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of capital assets, percentage of completion of construction in progress, allowance for doubtful accounts receivable, obsolete inventory, determination of employee future benefits, estimated self insurance liabilities and fair value adjustment on financial instruments. Actual results could differ from those estimates.

(m) Future accounting changes:

(i) Changes in accounting framework:

The Canadian Institute of Chartered Accountants has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Authority is currently classified as a not-for-profit organization under the South Coast British Columbia Transportation Act. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to comment on the future financial reporting of government organizations. The Authority is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

(ii) Goodwill and intangible assets, Section 3064:

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced existing Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Authority does not believe it will have a material impact on its financial statements.

(iii) Financial instruments – presentation and disclosure:

Section 3862, Financial Instruments – Disclosure, and CICA 3863, Financial Instruments – Presentation, were both issued in December 2006 and were applicable for years beginning on or after October 1, 2007. The sections revise the current standards on financial instrument disclosure and presentation, and place an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity. In September 2008, the AcSB decided that not-for-profit organizations are not currently required to apply these enhanced financial instruments standards



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(m) Future accounting changes (continued):

(iv) Capital disclosures:

Section 1535, Capital Disclosures, establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The section is applicable for non-publicly accountable enterprises for years beginning on or after August 1, 2008. It requires enhanced disclosure with respect to the objectives, policies and processes for managing capital, quantitative data about the entity's capital and disclosures about the entity's compliance with capital requirements and consequences of any non-compliance. The Authority is reviewing the requirements to determine the necessary changes to its disclosures.

(v) Other revisions to NPO accounting standards:

There are several other changes effective for periods beginning on or after January 1, 2009, which clarify the applicability of Accounting Guidelines ("AcGs") and Abstracts of Issues Discussed by the Emerging Issues Committee ("EICs") to NPOs, remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to NPOs, and require disclosure of allocated fundraising and general support expenses by NPOs. These changes are not expected to have a material impact on the Authority's financial statements.

3 ADOPTION OF NEW ACCOUNTING POLICIES:

The Authority has adopted the following new accounting standards in these financial statements:

(a) Inventories:

Effective January 1, 2008, the Authority adopted CICA Handbook Section 3031, Inventory. Under this section, inventory is to be measured at the lower of cost and net realizable value. This standard also provides guidance on the costs that can be capitalized. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increase in inventory value. Spare parts and servicing equipment are usually carried as inventory and recognized in net income as consumed. However, under this section, major spare parts and standby equipment qualify as capital assets when an entity expects to use them during more than one period. This requires that all spare parts be recorded at their net book value and amortized over the life of the asset they will service. The effect has resulted in the reclassification of \$5,217,000 supplies inventory into capital assets as at December 31, 2007 with corresponding changes in the fund balances between the amount invested in capital assets and unrestricted fund balance.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

3 ADOPTION OF NEW ACCOUNTING POLICIES (CONTINUED):

(b) Assessing going concern:

Effective January 1, 2008, the Authority implemented Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Authority's ability to continue as a going concern. This assessment is based on the assumption that the current funding levels are maintained and any committed additional future funding is received. Based on current projections, additional revenues beyond what is committed will be required to fund current programs. Access to these additional revenues must be approved by the Mayors' Council and will require an extensive public consultation process with key stakeholders and the public. If additional funding is not approved, programs and expenditures will be adjusted to match committed funding.

4 LONG-TERM INVESTMENTS:

At December 31, 2008 a subsidiary of the Authority held Canadian non-bank sponsored Asset-Backed Commercial Paper (ABCP) issued by a number of trusts with an original cost of \$56,500,000. These investments were acquired in 2007, and since that time have not been repaid. As a result, the Authority classified its ABCP as long-term investments after initially classifying them as cash and cash equivalents.

The Authority's ABCP was included in a general restructuring of ABCP pursuant to a plan approved under the Companies' Creditors Arrangement Act and implemented in January 2009. Under the restructuring plan, the Authority will receive replacement notes (the "Notes") in exchange for its ABCP. In July 2008, the Authority entered into a loan facility with a Canadian chartered bank for \$45,200,000. The facility is secured by the Notes. The facility contains an option that allows the Authority to transfer the Notes to the bank during a specified period associated with its wind up in full satisfaction of the loan, thereby establishing a maximum loss on the initial cost of the ABCP equal to the impairment amount at December 31, 2008 of \$11,300,000. The estimated value of this option is \$4,700,000 and has been reflected as part of the \$45,200,000 value of the investments at December 31, 2008. The amount of the facility available declines in an equivalent amount to the disposition proceeds of any of the Notes and the facility ceases to be available once all the Notes have been disposed of or have matured.

The valuation model used by the Authority to estimate the fair value of its investment in the Notes and the option in the loan facility, at December 31, 2008, incorporates probability weighted discounted cash flows considering the best available information regarding market conditions and other factors that a market participant would consider for such investments.

The estimated fair value of the investment in ABCP is \$45,200,000 at December 31, 2008 (2007 – \$49,300,000). The reduction in the fair value of \$4,100,000 (2007 – \$7,200,000) was recorded in the statement of operations and reduced the capital fund balance.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

5 DEBT RESERVE DEPOSITS:

The Authority is required to pay into a debt reserve fund, administered by the Municipal Finance Authority of British Columbia ("MFA"), an amount equal to one-half the average annual installment of principal and interest relative to any debt borrowed. This amount may be paid either in full or in an amount equal to 2% of the principal amount borrowed together with a non-interest bearing demand note for the balance. If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its debt obligations, the payments or sinking fund contributions shall be made from the debt reserve fund. The demand notes payable to the MFA are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund, and therefore have not been recorded on the balance sheet. As the amounts are not expected to be refunded until the debt fully matures, the amounts have been presented as long-term assets.

6 DEBT SINKING FUNDS:

Contributions to the sinking fund, administered by the MFA, are made for all long-term debt obligations. Investments held in the sinking fund, including interest earned, are used to repay the related debt at maturity.

7 CAPITAL ASSETS:

	Cost	Accumulated amortization	2008 Net	2007 Net
Land	\$ 133,210	\$ -	\$ 133,210	\$ 100,837
Land improvements	33,756	9,140	24,616	25,971
Buildings	160,762	52,724	108,038	115,288
Revenue vehicles	740,013	227,549	512,464	449,019
Equipment	239,831	127,601	112,230	88,635
SkyTrain vehicles	230,803	91,516	139,287	149,461
WCE vehicles	26,890	6,556	20,334	21,201
SkyTrain equipment and system upgrade	129,107	53,411	75,696	79,017
Bridges	24,192	2,213	21,979	20,067
Capital spares	6,913	1,214	5,699	5,217
Capital projects in progress:				
Canada Line	1,666,019	_	1,666,019	1,227,787
Golden Ears Bridge	915,258	_	915,258	631,023
Other capital projects in progress	242,581	_	242,581	178,345
	\$ 4,549,335	\$ 571,924	\$ 3,977,411	\$ 3,091,868

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

8 LONG-TERM DEBT:

		2008	2007
Sinking fund bonds, weighted average interest rate of 5.28% (effective rate 5.39%), maturing at various dates from 2009 to 2036, amortized from 10 to 30 years	\$	1,680,236	\$ 1,530,686
Serial debenture, interest rate of 5.10% (effective rate 5.16%), 20-year term, principal repayment annually, maturing in 2025		40,935	42,805
Sinking fund bonds, under interest rate and currency conversion agreements, effective weighted average interest rate of 6.14% (effective rate 6.16%), maturing at various dates from 2009 to 2010, amortized over 20 years		101,506	101,496
		1,822,677	1,674,987
Less current portion		72,391	65,319
	\$	1,750,286	\$ 1,609,668
Sinking fund payments, due in each of the next five years, are approximately as	follo	ws:	
2009			\$ 72,391
2010			69,732
2011			68,575
2012			68,575
2013			66,190

9 PENSION PLANS AND EMPLOYEE FUTURE BENEFITS:

(a) Deferred contribution plans:

The Authority, CMBC, PVTT and FRMT and their employees contribute to the Public Service Pension Plan (the "Plan"), which 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 British Columbia Pension Corporation administers the Plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the Act applies. Details of the Plan are provided in the Public Accounts of British Columbia. The long-term funding of the Plan is based on the level contribution method. 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 (UAL) for funding purposes, if any, as a constant percentage of employer payroll. The actuary does not attribute portions of the UAL to individual employers. Contributions to the Plan are expensed in the year when payments are made. The total expense recorded in the financial statements in respect of pension contributions amounts to \$27,283,000 (2007 – \$24,382,000).

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest full actuarial valuation, which was carried out as at March 31, 2008, resulted in a surplus of \$487,000,000.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

9 PENSION PLANS AND EMPLOYEE FUTURE BENEFITS (CONTINUED):

(a) Deferred contribution plans (continued):

The employees of WCE and BCRTC are members of defined contribution plans administered by Great West Life, Sun Life and Canada Life. The total expense recorded in the financial statements, in respect of pension contributions under these plans, amounts to \$3,524,000 (2007 – \$3,238,000).

(b) Post-retirement benefit plans and post-employment plans:

- (i) Apart from the post-retirement benefits provided by the Plan, the Authority and CMBC continue to provide life insurance benefits to all retired employees. BCRTC also sponsors a post-retirement benefit (non-pension) plan providing continuing healthcare benefits to retired employees. The total expense recorded in the financial statements, in respect of obligations under these plans, amounts to \$3,675,000 (2007 \$3,652,000).
- (ii) The Authority and its subsidiaries also provide Provincial health care, extended health, dental care and life insurance benefits to employees on long-term disability from the date they become disabled (post-employment benefits). The total expense recorded in the financial statements for the year, in respect of obligations under these plans, amounts to \$2,395,000 (2007 \$2,760,000).
- (iii) Summary of the Authority's post-retirement and post-employment plans is as follows:

	Post-	retirement benefits	Post-e	mployment benefits	2008	2007
Accrued benefit obligation Fair value of plan assets	\$	23,899	\$	9,382 –	\$ 33,281 –	\$ 39,173 –
Funded status Balance of unamortized amounts		(23,899) (3,695)		(9,382) (4,841)	(33,281) (8,536)	(39,173) 1,412
Accrued benefit liability	\$	(27,594)	\$	(14,223)	\$ (41,817)	\$ (37,761)

(iv) The significant assumptions used are as follows:

		2008		2007
Accrued benefit obligation as of December 31: Discount rate	6.8%	-7.3%	5.4%	- 5.5%
Benefit costs for years ended December 31: Discount rate	5.4%	- 5.5%	4.5% -	- 5.25%
Assumed health care cost trend rates at December 31: Increase in health care cost trend rate	3.0% -	- 10.0%	3.0% -	- 10.0%
Employee future benefit costs recognized in the year: Post-employment and retirement benefits	\$	6,070	\$	6,412

Other information regarding the Authority's post-retirement and post-employment plan is as follows:

	2008	2007
Employer contributions	\$ 2,014	\$ 3,035

The accrued benefit obligation is not presently funded.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

10 DEFERRED CONCESSIONAIRE CREDITS:

Deferred Concessionaire credits represent the funding provided by the Canada Line Concessionaire towards the design and construction phases of the Canada Line. It is estimated that the funding to be provided by the Concessionaire will amount to \$720,000,000. The ultimate funding obligation of the Concessionaire will not be known until completion of the Project. Upon completion and service commencement of the Project, the total Deferred Concessionaire credits will be amortized to income over the remaining term of the concession agreement.

11 CAPITAL CONTRIBUTIONS:

Capital contributions received during the year:

	2008	2007
Transfer from the Government:		
Government of Canada		
Gas Tax Agreement Funds	\$ 62,148	\$ 49,119
Public Transit Infrastructure Program Funds	_	34,035
Transit-Secure Funds	4,510	_
Urban Transportation Showcase Program	5,213	_
	71,871	83,154
Provincial Government of British Columbia		
Provincial Transit Plan	51,800	_
Canada Line project:		
Government of Canada	24,734	167,439
Provincial Government of British Columbia	59,600	58,400
City of Vancouver	7,065	14,928
City of Richmond	2,000	_
	93,399	240,767
	\$ 217,070	\$ 323,921

Contributions from the Vancouver International Airport Authority totaling \$48,002,000 (2007 – \$98,592,000) are netted against the related project costs when incurred.

12 GAS TAX AGREEMENT, PUBLIC TRANSIT AGREEMENT AND PUBLIC TRANSIT INFRASTRUCTURE PROGRAM:

Gas Tax Agreement and Public Transit Agreement funding is provided by the Government of Canada. Public Transit Infrastructure Program funding is provided by the Province of British Columbia. The use of the funding is established by a funding agreement between the Authority and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit as specified in the funding agreements. Public Transit Agreement and Public Transit Infrastructure Program funding may be applied towards the cost of designated public transit projects, as specified in the funding agreements. Receipts and disbursements for the year are as follows:



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

12 GAS TAX AGREEMENT, PUBLIC TRANSIT AGREEMENT AND PUBLIC TRANSIT INFRASTRUCTURE PROGRAM (CONTINUED):

Gas Tax Agreement Funds	2008	2007
Opening balance, unspent funds	\$ 34,022	\$ 40,554
Add: Amount received during the year	62,148	49,119
Interest earned	1,103	1,594
Less: Amount spent on projects	(37,693)	(57,225)
Amount spent on administration	(112)	(20)
Closing balance, unspent funds	\$ 59,468	\$ 34,022
Public Transit Agreement Funds	2008	2007
Opening balance, unspent funds	\$ _	\$ 4,405
Add:Interest earned	_	148
Less: Amount spent on projects	_	(4,537)
Amount spent on administration	_	(16)
Closing balance, unspent funds	\$ _	\$ _
Public Transit Infrastructure Program Funds	2008	2007
Opening balance, unspent funds	\$ 23,233	\$ _
Add: Amount received during the year	_	34,035
Interest earned	416	222
Less: Amount spent on projects	(23,619)	(11,021)
Amount spent on administration	(30)	(3)
Closing balance, unspent funds	\$ -	\$ 23,233

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

13 FUND BALANCES – RESTRICTED FUNDS:

(a) Net change in invested in capital assets:

Capital fund:

Balance, beginning of year		
As previously reported	\$	927,114
Adjustment on adoption of accounting policy (note 3)	Ť	5,217
As restated		932,331
Net additions to capital assets		975,507
Amortization of capital assets		(88,108)
Amortization of capital asset charged to capital projects in progress		(142)
Loss on disposal of capital assets		(1,232)
Net proceeds from disposal of capital assets		(443)
Amount funded by long-term debt		(147,690)
Amount funded by deferred Concessionaire credits		(275,080)
Amount funded by Golden Ears Bridge contractor liability		(266,540)
Increase in debt reserve deposits		3,091
Increase in debt sinking funds		78,542
		277,905
Balance, end of year	\$	1,210,236
AirCare:		
Balance, beginning of year	\$	1,122
Purchase of capital assets		300
Amortization of capital assets		(339)
		(39)
Balance, end of year	\$	1,083



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

13 FUND BALANCES - RESTRICTED FUNDS (CONTINUED):

(b) Externally restricted:

Capital fund:

Balance, beginning of year	\$ 106,555
Contributions received	217,070
Expenditures of restricted funds	(192,307)
	24,763
Balance, end of year	\$ 131,318

AirCare:

AirCare is a self-funded program under Section 50 of the Motor Vehicle Act. Any deficits incurred will be covered through future operations, such that any deficits are eliminated by the end of the program.

14 COMMITMENTS AND CONTINGENCIES:

(a) Operating lease payments – WCE:

Effective December 28, 1995, BC Transit entered into a 20-year operating lease agreement with Pitney Bowes of Canada Ltd. for the WCE vehicles totaling \$62,000,000. This lease was transferred from BC Transit to the Authority effective March 31, 1999.

In connection with operating the Commuter Rail System, WCE has entered into operating commitments for train operations, rolling stock maintenance, land leases, ticket vending and parking management and miscellaneous services

The total future minimum annual operating lease payments, including railcars, for the next four years and thereafter are as follows:

2009	\$ 13,114
2010	8,074
2011	5,799
2012	5,735
2013 and thereafter	16,127

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

14. COMMITMENTS AND CONTINGENCIES (CONTINUED):

(b) Vehicle emission testing contract – PVTT:

PVTT has entered into a contract with Envirotest Ltd. to provide vehicle emission testing services until December 2011, at which time the AirCare program is expected to wind up. The minimum annual fee for each of the contract year is as follows:

2009	\$ 16,366
2010	16,701
2011	17,015

(c) Diesel fuel purchase:

CMBC has a floating price purchase contract for a two-year period beginning February 1, 2007. Effective June 1, 2008, CMBC entered into an additional eight month contract to purchase 2,100,000 litres of diesel fuel per month at a fixed price of \$0.9931 per litre, plus applicable taxes. This contract is to run concurrently with the floating rate contract for the period of June 1, 2008 through February 28, 2009. The contract allows CMBC to purchase approximately 70% of the expected volumes at the fixed price. The approximate payments relating to the minimum purchase volume, for the remaining term of the contract, are as follows:

2009 \$ 2,667

(d) Natural gas supply contract:

CMBC entered into a floating price contract to purchase natural gas for a five year period beginning November 1, 2005. Subsequently, CMBC entered into three fixed price agreements for various terms and minimum purchase volumes. The approximate payments relating to the minimum purchase volume at the specified prices for the remaining term of the contract are as follows:

2009	\$ 2,00	50
2010	1,71	17

(e) Major Road Network (MRN) Capital Funding:

The Authority has signed several funding agreements with municipalities on major MRN projects. At December 31, 2008, the net amount of MRN capital funding committed is \$135,505,000. This amount will be paid to the municipalities upon completion of the projects.



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

14 COMMITMENTS AND CONTINGENCIES (CONTINUED):

(f) Other operating leases:

The Authority is committed to annual lease payments in respect of office premises in the following amounts:

2009	\$ 8,295
2010	7,477
2011	7,495
2012	7,560
2013	4,416

(g) Canada Line:

The Canada Line project is a rail based rapid transit line that will link central Richmond, the Vancouver International Airport and downtown Vancouver. CLCO is a special-purpose wholly owned subsidiary of the Authority created specifically to oversee the procurement, design, construction and implementation of the project.

CLCO and the Authority have entered into various agreements with the Government of Canada, the Province, the Vancouver International Airport Authority ("Airport Authority") and the City of Vancouver. These agreements provide for the funding of costs related to the procurement and construction phases of the Canada Line.

The total committed funding is as follows (nominal dollars except as otherwise noted):

Agency	Total amount of committed funding	
Government of Canada	\$ 450,000	
The Province	435,025	
Airport Authority *	300,000	
City of Vancouver	28,970	
External funding	1,213,995	
The Authority	334,625	
	\$ 1,548,620	

^{*} The Airport Authority contributions are based on the value of the Canadian dollar at April 1, 2003, subject to annual compounding for cumulative inflation.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

14 COMMITMENTS AND CONTINGENCIES (CONTINUED):

(g) Canada Line (continued):

On July 29, 2005, the original Concession Agreement between CLCO, the Authority and the Concessionaire was entered into concurrently with the completion of the Concessionaire's financing and sub-contracting arrangements.

Under the Concession Agreement, the Concessionaire agreed to design, construct, and partially finance the Canada Line and then to operate it over a total term (including construction and operating phases) of 35 years. During the construction phase, CLCO will make payments to the Concessionaire upon the achievement of certain milestones. These payments totaled \$1,136,000,000 at December 31, 2008 (2007 – \$980,000,000). The Concessionaire assumes price and schedule risk, subject to certain compensation events, the occurrence of which will require CLCO to make compensatory payments to the Concessionaire. During the operating phase, CLCO, through funding from the Province, will make monthly payments to the Concessionaire based on the Concessionaire's performance. Construction of the Canada Line started in August 2005 and operations are expected to commence in late 2009.

(h) Golden Ears Bridge ("GEB"):

(i) Agreement with Golden Crossing General Partnership (the "GCGP"):

In 2006, the Authority entered in a fixed-price contract with the GCGP whereby the partnership will design, construct, finance, operate, maintain and rehabilitate the GEB. The contract was executed in March, 2006 and terminates in 2041.

The GCGP is responsible for financing the estimated construction cost of the GEB of \$938,000,000. In addition, the GCGP has advanced \$50,000,000 to the Authority, which is included in the contractor liability on the statement of financial position. The Authority is responsible for financing the costs it incurs directly, including property acquisition, project planning and development and other third-party costs, estimated to total \$216,000,000 for the project.

Payments to the GCGP commence on substantial completion of the project. The nominal monthly blended capital and interest payments, which will escalate based on a CPI index, are as follows:

July 2009 to December 2009	\$500 per month
January 2010 to June 2010	\$1,500 per month
July 2010 to June 2011	\$3,000 per month
July 2011 to June 2014	\$4,000 per month
July 2014 to June 2041	\$4,792 per month



YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

14 COMMITMENTS AND CONTINGENCIES (CONTINUED):

(h) Golden Ears Bridge ("GEB") (continued):

(i) Agreement with Golden Crossing General Partnership (the "GCGP") (continued):

The obligation to the GCGP will bear interest at an effective rate to be established on substantial completion of the project. The effective interest rate on the obligation will be the sum of the implicit interest rate, which establishes the net present value of the payment stream as the cost of the bridge, plus the CPI index.

The Authority will also pay the GCGP a monthly Operating, Maintenance, Rehabilitation ("OMR") fee of \$316,198, which will also escalate based on a CPI index.

The GEB contractor liability balance at December 31, 2008 represents the amount of funding received and the cost of construction-in-progress to be repaid by the capital payments described above.

(ii) Municipal and provincial handover facilities:

Under separate agreements between the Authority and the Township of Langley, the District of Maple Ridge, the District of Pitt Meadows, the City of Surrey (the "Municipalities") and the Province, the Authority will plan, design, finance and construct the GEB, together with a new network of highways. This will effect the improvement, upgrading, relocation and widening of existing provincial and municipal roads and highways, access facilities, ramps and traffic signals to improve access along and across the Fraser River. These newly constructed facilities and the upgrades to existing facilities (the Handover Facilities) will be transferred to the Municipalities and the Province upon substantial completion of the GEB project.

The Authority retains responsibility for the Handover Facilities until substantial completion of the GEB project.

Upon delivery of the Certificate of Substantial Completion, the Authority will transfer title, ownership and possession of the Handover Facilities to the respective Municipalities and the Province. The Municipalities and the Province will assume ownership and the risks associated with the Handover Facilities and will operate, maintain and rehabilitate the Handover Facilities thereafter.

The total construction costs of the Handover Facilities are estimated to be \$72,500,000. As at December 31, 2008, the estimated costs to date of \$61,600,000, based on an 85% completion of the GEB project, are included in capital projects in progress. Upon substantial completion and transfer of title to the Handover Facilities to the Municipalities and the Province, the total costs will be expensed within the Capital Fund as a contribution. Substantial completion and transfer of title are expected to occur in 2009.

(i) Lawsuits:

As at December 31, 2008, there are a number of lawsuits pending against the Authority arising in the ordinary course of business. Management is of the opinion that any successful claims against the Authority, which are not recoverable from the Authority's insurance, are not likely to be material and therefore, no provision has been made in the financial statements for any such liability.

YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

14 COMMITMENTS AND CONTINGENCIES (CONTINUED):

(j) Albion Ferry operation:

The Authority has approved the discontinuation and decommissioning of the Albion Ferry operation in 2009, concurrent with the opening of the Golden Ears Bridge. Included in the amortization of capital assets for 2008 is a write off of \$956,000, representing the remaining net book value of the two ferries at the end of December 31, 2008.

(k) Other capital commitments:

At December 31, 2008, \$379,460,000 has been contractually committed for other capital projects in progress (2007 – \$279,332,000). This includes \$203,924,000 committed for various buses, community shuttles and HandyDART vehicle purchases.

15 STATEMENT OF CASH FLOWS:

	2008	2007
Items not involving cash:		
Amortization of capital assets	\$ 88,447	\$ 75,104
Amortization of capital assets charged to capital projects in progress	142	131
Amortization of bond discount	732	1,205
Employee future benefit expense	6,070	6,411
Loss on disposal of capital assets	1,232	888
Non-controlling interest in income (loss) of TPCC	48	(86)
Fair value adjustment on financial instruments	4,100	7,200
	\$ 100,771	\$ 90,853
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	\$ 3,927	\$ (1,197)
Increase in supplies inventory	(3,962)	(3,834)
Increase in prepaid expenses	(113)	(927)
Decrease in accounts payable and accrued liabilities	(9,097)	(31,360)
Employee future benefit contributions	(2,014)	(3,035)
	\$ (11,259)	\$ (40,353)





YEAR ENDED DECEMBER 31, 2008

(tabular amounts in thousands of dollars)

16 FINANCIAL INSTRUMENTS:

(a) Credit, interest and foreign exchange risk:

The Authority utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to any significant credit or interest rate risk as a result of these financial instruments. Interest rates have been fixed for all long-term debt. The Authority's operations are all based in Canada and exposure to foreign exchange fluctuations is not significant.

(b) Fair values:

The fair value of debt reserve deposits, debt sinking funds and long-term debt at December 31, 2008 is \$40,755,000, \$361,400,000, and \$1,869,099,000 (2007 – \$37,069,000, \$278,294,000 and \$1,702,895,000), respectively.

For all other classes of financial instruments shown in these financial statements, management considers that the carrying amounts approximate fair values due to the immediate or short-term maturity of these financial instruments.

17 COMPARATIVE FIGURES:

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

