2011
ANNUAL REPORT

MFABC
Municipal Finance Authority of BC

Contents

Message from the Chair

2011 marked several significant events for the Municipal Finance Authority of British Columbia (MFA).

Our triple A credit rating, "outlook stable," was reaffirmed in March by three credit rating agencies. The agencies cite the strong overall credit portfolio, strong legal framework through which we borrow on behalf of our clients, and our solid liquidity profile. Our Commercial Paper program, was also reaffirmed at the highest rating available. These ratings, together with an active investor relations program allow the MFA to borrow at interest rates that are the lowest in Canada when compared to other municipal issuers. The MFA is in turn able to provide low-cost long- and short-term financing and lease financing to all local governments in British Columbia (BC) at the same rate, regardless of loan or community size.

In 2011, three historical records were achieved by our long term financing in the municipal borrowing sector. The MFA successfully issued a 5-year $515 million debenture that provided a yield to investors of 3.029%; the issue was both the largest in size and set a record as the lowest yield. A third record was the sale of a 10-year debenture with a record low yield of 3.175%.

Through our $500 million Commercial Paper Program the MFA was able to provide a short-term interest rate of 1.7% and lease program rate of 2.0 % for 2011. All short-term loans can be repaid early without penalty.

Our successful Pooled Investment Program crested at $2.2 billion in 2011, with an average portfolio size during the year of $1.8 billion. This program provides a vehicle for local governments to invest surplus funds in three pools that accommodate short term, intermediate or long term time horizons. A separate report on the MFA Pooled Investment Funds is available to interested parties.

The March Financial Forum and Annual General Meeting provided a celebration of our 40-year anniversary. We were very fortunate to have the Honourable Stephen L. Point, Lieutenant Governor of British Columbia; the Honourable Ida Chong, Minister of Community, Sport and Cultural Development; and our first Chair, Hugh Curtis, address our Members and guests. Also in attendance was former Chair, Dan Cumming. The unique features of the MFA and our history of success were recognized.

The MFA-sponsored Len Traboulay Education Fund provided a direct grant of $30,000 to the Local Government Leadership Academy (LGLA). The LGLA is a leadership development initiative that serves local government and First Nations elected officials throughout BC by improving the competencies needed to effectively manage and lead BC's communities. The Fund also provided $20,000 for the development of a long-term financial planning course for use by employees in local government in BC. The MFA contributed a further $75,000 for education and conferences for elected officials and officers in local government.

In December, the Vice Chair Malcolm Brodie and I accompanied senior management on the credit rating review with our three credit rating agencies. Considerable time and effort is properly placed in the annual review process.

The Vice Chair and I appreciate the work of the Board of Trustees, including their participation and contribution to the Investment Advisory Committee. Several Trustees also made presentations on behalf of the MFA at various conferences throughout the province.

The Board of Trustees recognizes the commitment and professionalism of our staff. We thank them for their effort and contribution to the continued success of the MFA.

The MFA will continue to build on its history, maintaining a cautious and prudent approach in achieving our objective of obtaining effective access to the financial markets and in turn providing low-cost funding to our members.

FRANK LEONARD *Chair*

MFA Trustees & Members

BOARD OF TRUSTEES*

The Board of Trustees exercises the executive and administrative powers and duties, including the selection of the secretary and treasurer and our external auditors, with both appointments approved by the Members.

Oversight of policy, strategy, and business plans is conducted through the Finance and Audit Committee, and the Investment Advisory Committee.

MEMBERS OF THE AUTHORITY

The Members of the MFA are elected officials appointed by the regional boards in each regional district in BC. The number of MFA Members (currently 38) is based on the population of the regional districts. The Members of the Authority represent all 28 regional districts. The Members meet twice a year, once at the Annual General Meeting (AGM) held before March 31st each year, and again in the fall, in conjunction with the Annual Union of BC Municipalities Convention. At these meetings, the Members review requests for financing and authorize the issue and sale of securities. At the AGM, the Members elect ten Trustees, including the Chair. Four Trustees must be from Metro Vancouver, one from the Capital Regional District, and the other five from the remaining regional districts.

REGIONAL DISTRICT	MEMBER APPOINTED
Alberni-Clayoquot	M. Kokura
Bulkley-Nechako	L. Hamblin
Capital	F. Leonard*
Capital	G. Young
Cariboo	A. Richmond*
Central Coast	C. Hyde
Central Kootenay	R. Toyota
Central Okanagan	R. Hobson*
Columbia Shuswap	R. Oszust
Comox Valley	P. Ives
Cowichan Valley	T. Walker
East Kootenay	R. Gay
Fraser-Fort George	M. Frazier
Fraser Valley	P. Ross
Fraser Valley	S. Gaetz
Kitimat-Stikine	B. Corless
Kootenay Boundary	M. Rotvold
Metro Vancouver	M. Brodie*
Metro Vancouver	D. Corrigan*
Metro Vancouver	G. Martin
Metro Vancouver	D. Mussatto
Metro Vancouver	J. Trasolini
Metro Vancouver	R. Louie
Metro Vancouver	R. Walton*
Metro Vancouver	J. Villeneuve
Metro Vancouver	W. Wright*
Mount Waddington	G. Furney*
Nanaimo	J. Stanhope*
North Okanagan	H. Halvorson
Northern Rockies	J. Sime
Okanagan-Similkameen	D. Ashton*
Peace River	L. White
Powell River	C. Palmer
Skeena-Queen Charlotte	J. Mussallem
Squamish-Lillooet	S. Gimse
Strathcona	J. MacDonald
Sunshine Coast	G. Nohr
Thompson-Nicola	S. Roline

Message from the CAO

Assets under management exceeded $7.2 billion at the end of 2011. This amount does not include our pooled investment funds which are reported on separately. This fund crested at $2.2 billion, representing the investments of 250 clients.

Our loans to clients balance was $4.8 billion, representing 2,650 long-term requests for financing through 28 regional districts and three other entities. Our short-term loans were $175 million, representing 164 short-term requests for financing and 726 lease arrangements. Included in our assets are investments of $2.1 billion that we manage as sinking funds; these are payments collected from our clients, invested, and used to retire the client debt obligation to the MFA. We also manage and invest a debt reserve fund that exceeded $113 million at the end of the year. The debt reserve fund holds assets as security for debenture payments to bondholders, in the unlikely event that a client is unable to make payment to the MFA. It is a measure of protection that has never been accessed in our 41-year history.

The MFA finances our assets under management through long-term debentures that we issue during the course of the year. At the end of 2011, our long-term debt was $6.2 billion. Other financing is through short-term debt that we raise through our Commercial Paper Program – financing that is raised each week. The balance of financing is through equity of $250 million and other short-term liabilities.

I encourage the reader to review our Management Discussion and Analysis in this report for greater detail on our business.

Business operations remain successful through effective systems and processes and, most importantly, the people as presented on the adjacent page. The nine employees of the MFA are responsible for the operating activities of the organization.

Systems development is an investment in our operations that we make on a continuous basis. Our objective is to streamline, simplify, and make ourselves accessible to our clients. Business process review is a current initiative that looks at how we communicate, receive, review, approve, and document. How can we have clear communications with our clients? One step in that direction will be the launch of our new website in March 2012. Our site will provide clear content to our primary audience of clients, communities, and investors.

Our employees are responsible for making the success of our operations seamless. The Director of Finance, Graham Eagan, and the Director of Business Services, Shelley Hahn, have more than 25 years of combined service. The balance of our personnel averages six years in tenure. We continue to work on critical process backup as part of our risk management efforts.

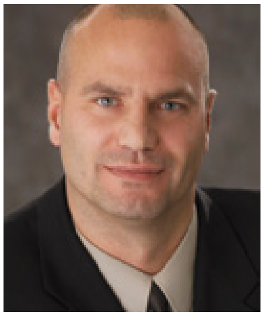
We spend much of our time outside the office. This includes classroom education and seminars that we provide throughout British Columbia for both elected officials and government officers. We attend and present at local government association meetings. We learn through this as well. Effective communication is always best in person.

Travel in 2011 included meetings with investors and our credit rating agencies. These organizations thoroughly research the MFA. We are always impressed by the level of their knowledge – a focus that is more pronounced since the financial crisis that now dates back to 2008. We carry a clear message of who we are, how we are structured, and what we do, with confidence.

I also wish to express my gratitude for the support of the Board of Trustees. Our operating success in 2011 and our continuous improvement are a result of the efforts and work of the MFA employees.

ROBIN STRINGER *Chief Administrative Officer*

MFA Team

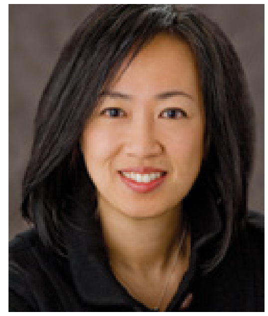


GRAHAM EGAN, CA
Director of Finance

- Long-term debt, loans and investments
- Investor relations
- Information technology

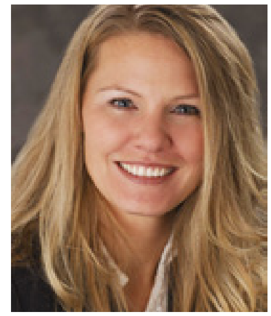
SHELLEY HAHN
Director of Business Services

- Short-term debt, loans and investments
- Legislation
- Client relations



CINDY WONG, CGA
Manager, Financial Services

- Accounting and asset control
- Credit analysis



ALLISON C. BOYD
Executive Assistant

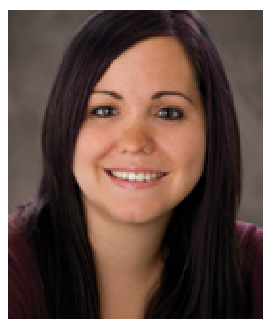
- Executive administration
- Marketing and accounts payables

JANE MORRISON, BA Econ.
Short Term Loan Administrator

- Capital leasing and interim financing
- Asset management, billing and EFT processing

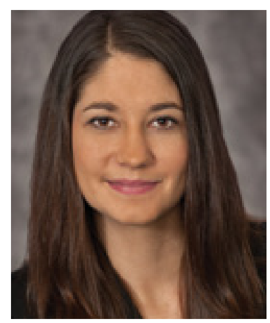
MEAGAN JAMES
Treasury Officer

- Cash management
- Pooled investment administration



LEXI PEARSON
Finance and Administrative Assistant

- Bylaw administration
- Payroll and municipal investment plan



TAMARA COOK, B. Com.
Business Process and Risk Analyst

- Client and business process review
- Operational risk analysis and credit rating support

Financial Statements and Related Reports

REPORTS:

SCHEDULES:

Management Discussion and Analysis

This Management Discussion and Analysis provides commentary on the financial and operating results of the Municipal Finance Authority of British Columbia (MFA) for the 2011 fiscal year and should be read in conjunction with the 2011 audited financial statements and accompanying notes.

OVERVIEW OF BUSINESS

The MFA was established in 1970 under the *Municipal Finance Authority Act* (the "*Act*") to provide long-term, interim, and lease financing for regional districts and their member municipalities, regional hospital districts, and other prescribed institutions in British Columbia (BC) (collectively, the "clients"). Also included in the client base are the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District, Emergency Communications for Southwest British Columbia (E-Comm), Capital Region Emergency Service Telecommunications (CREST), and the South Coast British Columbia Transportation Authority (TransLink). The City of Vancouver is also a member but functions under its own charter and retains the right to issue its own securities. Long-term debt requirements of local governments (5 to 30 years) must be borrowed through the MFA.

The MFA also provides short-term investment opportunities for its clients and other prescribed institutions through the establishment and operation of a Pooled Investment Fund Program. These funds include a money market fund, an intermediate fund, and a bond fund. The funds are reported on separately and are not included in the audited statements or annual report. The MFA does not provide investment advice to clients.

In addition to the *Act*, the operations are also subject to the application of other statutes. Notable provincial legislation that integrates with the MFA is *The Local Government Act, The Community Charter*, and the *South Coast British Columbia Transportation Authority Act*.

The mandate of the MFA is to raise long-term capital through the issuance of securities, in the name of the Municipal Finance Authority of British Columbia, for the purpose of lending proceeds to clients. This report and the financial statements describe this process in greater detail. Long-term financing, our primary source of funds for client loans, is used to finance capital infrastructure in British Columbia.

The MFA also raises short-term financing through an active $500 million Commercial Paper Program fully backstopped by two Canadian chartered banks. As well, the MFA has additional access to liquidity through a $200 million credit facility with a Canadian chartered bank. Short-term financing supports the capital lease financing program, provides interim financing for short-term capital projects, and funding in anticipation of long-term borrowing or qualifying future revenue receipts. In order to maintain a continued presence in financial markets, typically the full $500 million limit is issued. Proceeds raised, that are not immediately lent to clients, are invested in highly rated short-term investments, including chartered banks and British Columbia credit unions, or held as cash for liquidity purposes.

GOVERNANCE

The MFA is represented by a 38-member board ("Members") appointed from the elected officials from each of the 28 regional districts within the Province of British Columbia. A board of ten Trustees is elected annually from the Members to exercise executive and administrative powers including policy, strategy, and business plans.

The Board of Trustees also provides oversight through the Finance and Audit Committee and the Investment Advisory Committee.

Management Discussion and Analysis continued

KEY PERFORMANCE DRIVERS

Reputation and History

The MFA has never defaulted on any debt obligation and accordingly has never imposed a tax levy nor made any claim on its Debt Reserve Fund.

The success of MFA operations has continually resulted in a variety of program rebates, absorption of fees, and/or the reduction of interest charges to clients.

Borrowing Process

Through a cooperative approach with our clients and the Province of British Columbia the MFA is able to ensure an understanding of, and adherence to, the requirements of our *Act* and other relevant legislation regarding the borrowing process and expenditure limits.

All borrowings must be within each municipality's individual borrowing power, which stipulates that only 25% of sustainable revenue may be allocated to debt servicing costs (principal and interest). An imposed cap on the inclusion of tax revenue derived from industry lessens the reliance on this sector as a primary funding source for our clients. The purpose of this cap is to ensure that the revenue base is diversified and that local governments are not relying exclusively on one category of taxation.

Long-term borrowing requests or bylaws must be approved first at the local government level through a public consultation process and then at the regional district level. Bylaws must also receive legal approval from the Provincial Ministry through the issuance of a Certificate of Approval which ensures that the request is within financial borrowing limits. Only after these steps have been completed can a borrowing bylaw be presented to the MFA for funding consideration.

The Members of the Authority review all requests for financing and, in consideration of the relevant market and economic conditions, may authorize the issue and sale of securities to fund those requests.

INVESTOR CONFIDENCE

Long-term financing needs are met through the placements of bullet debentures in capital markets. The MFA typically issues 10-year bonds thereby accommodating both the average borrowing terms requested by our clients and the market preferences of investors. On rare occasions serial and longer-dated debentures have been issued to meet specific funding requirements. Bond issuances are syndicated through the services of a financial consortium comprised of six Canadian chartered banks and two other financial institutions.

Short-term funding needs have been fulfilled through a $500 million dollar Commercial Paper Program supported by a dealer network of six Canadian chartered banks and one other financial institution.

Both programs have allowed for a wide distribution of MFA paper to investors throughout Canada and established the MFA as one of the premium municipal credits in the world with the highest credit rating possible.

CREDIT FUNDMENTALS

Joint & Several

Local governments within each regional district are joint and severally liable for each other's long-term debt borrowings through the MFA. When a municipality passes a borrowing bylaw and presents it to its regional district for the purpose of issuing security, all municipalities within the region must vote on their acceptance of that borrowing. Approval of the bylaw binds each municipality with joint and several obligations.

Management Discussion and Analysis continued

In the normal course of business, the MFA collects debt servicing costs from regional districts, which in turn requisition funds from the participating municipalities. If a municipality is unable to make payment, then the regional district incurs that deficiency and must work to recover any default from its member municipalities.

Debt Reserve Fund

The *Act* requires the establishment of a Debt Reserve Fund. The fund accumulates through the withholding of 1% of principal borrowed on each loan request. If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, (with an issue term greater than 2 years) the payments or sinking fund contributions must be made from the Debt Reserve Fund. Once a regional district or municipality has fulfilled its loan obligation, its portion of the Debt Reserve Fund is repaid. There has never been a default on any loan payments nor has the MFA ever required the use of funds held in the Debt Reserve Fund.

Taxing Powers

Under the provisions of its Act, the MFA has unfettered access to the full property assessment base in the Province of British Columbia without requiring approval of any senior level of government. The MFA applies a nominal tax rate annually on taxable property in order to maintain the levy and preserve the collection process.

If the Debt Reserve Fund is required to meet obligations, as described above, and payments cannot be recovered under the terms of the loan agreements with the delinquent regional district, the Trustees may impose a tax on British Columbia taxable land and improvements to restore the fund.

If the Authority does not have sufficient funds to meet payments or sinking fund contributions on issues having a term of 2 years or more, the Trustees must levy or impose rates on all taxable land and improvements in British Columbia sufficient to meet the payments.

Loan Methodology

Loan agreement terms stipulate that the MFA will invoice clients for principal repayments and interest charges at the regional district level. Regional districts are then responsible for the collection of funds subsequently lent to member municipalities. Administrating the repayment process in this manner augments MFA's liquidity through emphasis on the regional district's debt guarantee provisions.

The loan repayment process follows a "sinking fund methodology" in which clients repay principal amounts in equal annual instalments. Funds received are invested by the MFA and held in a sinking fund as an offset against the associated source of financing which is typically accomplished through bullet debenture issuances. This arrangement provides clients with budget certainty (fixed loan repayment stream) while eliminating the requirement for balloon payments at term expiry.

Clients are compensated for the repayment of loan obligations, received in advance of MFA's associated debt maturity, by the application of an annual actuarial reduction to each principal payment made. With this annual reduction (discounting of loan repayments) the MFA becomes responsible to cover the difference. The MFA accomplishes this through investment earnings realized on the principal repayments.

The sinking fund investments are assets of the MFA retained for the future retirement of debt. The MFA sets actuarial rates at the commencement of each loan and reviews the adequacy of the rate annually, retaining the right to adjust on a prospective basis. Earnings in excess of the actuarial rate are recorded as a surplus of the MFA and form a component of the equity at year end. If a surplus still exists when the debenture matures, these funds will then be distributed to participating clients.

Management Discussion and Analysis continued

MANAGEMENT AND STAFF

The MFA functions with a highly dedicated and professional team of nine employees. Employment continuity has been one of the organization's key successes with the current team providing over 60 years of combined service contribution. The Director of Finance and Director of Business Services themselves have over 25 years of experience working with the MFA while the balance of the personnel averages six years in tenure. The specialized nature of the MFA's operations requires a highly trained and efficient group of financial and legislative professionals. In that regard, employees are continually updating their education and improving their technical skills. This necessitates our team traveling throughout the province and actively engaging clients, assisting them in financial matters, and helping them navigate the borrowing processes.

PERFORMANCE MEASUREMENT

Independent Credit Rating

The MFA's financial strength is founded in its organizational structure and conservative nature of its clients. Through a combination of checks and balances over the borrowing process, joint and several obligations of regional districts and their member municipalities, a substantial Debt Reserve Fund, and the ability to levy a tax on all property in the Province, the MFA continues to maintain its high credit worthiness. Credit agencies continually rate the MFA and its general obligation debenture debt as the highest investment quality available. Our credit ratings as at December 31, 2011, were Aaa (Moody's Investors Service), AAA (Standard & Poor's), and AAA (Fitch Ratings).

The Commercial Paper Program is rated with the highest credit worthiness for short-term money market instruments in Canada. Our short-term credit ratings at December 31, 2011, were P-1 high (Moody's Investors Service) and A-1+ (Standard & Poor's). All commercial paper issued is secured by two Canadian chartered banks that provide fully dedicated term loan facilities.

COST OF BORROWING

During 2011, the MFA issued two 10-year debentures and one 5-year debenture and measured the performance of these issuances against senior governments and large municipalities in Canada.

On March 28, 2011, the MFA issued a $225 million 10-year debenture with a return of 4.176% dated June 1, 2021. At the time of this issue, the Government of Canada 10-year bond was yielding 3.371% while comparable issuers were returning a yield in the range of 4.24% - 4.33%.

On May 13, 2011, the MFA issued a $515 million 5-year debenture with a return of 3.029%. At the time of this issue, the Government of Canada 5-year bond was yielding 2.549% while other municipal issuers were returning a yield in therange of 3.12% - 3.27%.

On October 4th, 2011, the MFA issued an additional $105 million of the June 1, 2011 debenture with a return of 3.175%. At the time of this issue, the Government of Canada 10-year bond was yielding 2.005% while other municipal issuers were returning a yield in the range of 3.40% - 3.60%.

During 2011, the MFA issued over $5.1 billion in commercial paper primarily in 35-day term, with yields comparable to Provincial issuers. The MFA benchmarks its commercial paper in relation to Government of Canada Treasury Bills.

RISK MANAGEMENT

The management of the MFA is responsible for safeguarding systems, identifying risks, and recommending the appropriate policies and framework. The Board of Trustees reviews and approves the risk management policies and associated reporting procedures to enable them to monitor the adherence to these policies.

Management Discussion and Analysis continued

Market and Interest Rate Risk

To minimize exposure due to market volatility, the MFA borrows only in Canadian dollar denominations and matches the timing of funding on client loans to the issuances of market debentures. The MFA sets lending rates on client's loans to cover the cash flow requirement on associated funding debentures. For clients with loan terms that extend beyond the term of the related debentures, a refinancing interest rate risk exists. At the time of refinancing, the MFA will reset the lending rate on remaining client loans in relation to the rate on the new issuance of debt.

The MFA`s investment policy does not allow the purchase of equity securities.

Liquidity Risk

Liquidity risk is the risk that the MFA will not have sufficient cash to meet its obligations as they become due. The MFA manages its liquidity risk by monitoring its cash flows on a daily basis, maintaining a liquid Debt Reserve Fund ($113 million as at December 31, 2011), ensuring access to a $200 million bank facility, and actively participating in the commercial paper market.

The MFA can also invoke the joint and several guarantee of its clients, call outstanding demand notes, and impose a property tax on all taxable land and improvements in British Columbia.

Operational Risk

Operational risk is the risk associated with a breakdown in internal controls, systems or procedural failures, human errors, or malfeasance. These risks can never be fully eliminated but the MFA has minimized this risk by establishing appropriate policies and sound internal controls through segregation of duties, strong accountability and reporting practices with a specific focus on stringent controls over cash balances and cash movements.

Client Credit Risk

Credit risk is the risk of loss due to a client failing to meet its obligations to the MFA. Since inception, the MFA has never experienced a loan default. Before any loans are funded, clients must demonstrate the financial capacity to service debt as regulated by the Province and must adhere to a strict borrowing process. The MFA also monitors the Provincial economy, regional issues, and financial information from its clients.

OUTLOOK

Consensus expectations are that the provincial GDP will experience moderate growth in 2012 at a pace similar to 2011. The outlook for the provincial economy is more positive for 2013 and 2014. The recovery of the global economy and its impact on British Columbia is subject to considerable uncertainty.

During the period from 2008 to 2011, the MFA was able to sustain operating revenue levels and increase its retained earnings. We will continue to expect moderate growth in all our programs in 2012 and long-term debt issues will likely remain similar to 2011 levels with an additional refinancing requirement of $340 million in December. Short-term requirements should also continue at 2011 levels as expectations of low short-term lending rates continue to attract borrowers.

FINANCIAL SUMMARY

The MFA continues to produce positive financial results with profit in the Operating Fund, Long-term financing, and the Short-term financing programs. At the end of 2011, a total of $255 million in surplus was retained reflecting $9 million in operations and a combined $246 million in the long and short-term borrowing programs.

During the year, clients of the MFA were allocated $117 million consisting of surplus payments, forgiven loan repayments, and actuarial adjustments. The combined effect of the surpluses and redistributions to clients resulted in an increase in equity of $54 million over 2010.

Management Report

The consolidated financial statements of the Municipal Finance Authority of British Columbia (the "Authority") are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available as at March 29, 2012.

Management has developed and maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The financial statements have been examined by KPMG LLP, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements fairly present, in all material respects, the Authority's financial position, results of operations, and cash flows in accordance with International Financial Reporting Standards. Their Independent Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Trustees, through the Finance and Audit Committee, monitors management's responsibility for financial reporting and internal controls. The Board or Committee meets with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Members of the Authority. The external auditors have full and open access to the Board, with and without the presence of management.

Graham Egan, CA

Director of Finance
Victoria, British Columbia, Canada

Independent Auditors' Report

To the Members of the Municipal Finance Authority of British Columbia

We have audited the accompanying consolidated financial statements of the Municipal Finance Authority of British Columbia, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipal Finance Authority of British Columbia as at December 31, 2011, December 31, 2010, and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

KPMG LLP

Chartered Accountants
Victoria, British Columbia, Canada
March 29, 2012

Consolidated Statement of Financial Position

THOUSANDS OF DOLLARS		December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Cash and cash equivalents	$	**88,681**	52,976	109,345
Investments, net of holdings of the Authority (Notes 4 and 5)		**2,127,731**	1,690,504	1,230,915
Accrued interest and other receivables		**85,192**	98,987	95,822
Derivative contracts (Note 6)		**2,694**	3,048	9,515
Short-term loans to clients (Note 7)		**174,682**	199,385	450,179
Loans to clients (Note 8)		**4,730,775**	4,758,079	4,663,266
Property and equipment (Note 9)		**630**	655	680
Total Assets	$	**7,210,385**	6,803,634	6,559,722
LIABILITIES				
Trade and other payables (Note 10)	$	**37,091**	37,951	38,860
Bank and short-term indebtedness (Note 11)		**499,767**	510,534	549,804
Due to clients (Note 12)		**113,233**	110,169	109,498
Derivative contracts (Note 6)		**83,596**	32,133	10,912
Long-term debt (Note 13)		**6,220,746**	5,910,423	5,656,727
Total Liabilities		**6,954,433**	6,601,210	6,365,801
EQUITY				
Accumulated other comprehensive income		**218,207**	95,348	65,620
Retained earnings		**37,745**	107,076	128,301
Total Equity		**255,952**	202,424	193,921
Total Liabilities and Equity	$	**7,210,385**	6,803,634	6,559,722

The notes on pages 20 to 43 are an integral part of these financial statements

Graham Egan, CA

Director of Finance
Victoria, British Columbia, Canada

Consolidated Statement of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31

THOUSANDS OF DOLLARS

		2011	2010
REVENUE			
Interest from loans to clients	$	**317,850**	327,740
Investment income		**82,560**	75,196
Financial service fees		**1,903**	1,802
Recoveries from new issues		**50**	32
Operating levy		**220**	211
Total Revenue		**402,583**	404,981
EXPENSE			
Interest on long-term debt		**286,993**	286,316
Interest on bank and short-term indebtedness		**4,918**	2,621
Amortization of (premium) discount and issue costs on long-term debt		**409**	(985)
Administration		**2,945**	3,225
Accrual of investment income due to clients (Note 5)		**7,955**	2,678
Debt management and marketing		**148**	140
Loss from change in fair value of derivative contracts		**51,817**	27,689
Total Expense		**355,185**	321,684
Profit for the year		**47,398**	83,297
OTHER COMPREHENSIVE INCOME			
Net change in fair value of available-for-sale financial assets		**96,610**	51,678
Net change in fair value of available-for-sale financial assets transferred to profit or loss		**26,249**	(21,950)
Other Comprehensive Income for the year		**122,859**	29,728
Total Comprehensive Income for the year	$	**170,257**	113,025

The notes on pages 20 to 43 are an integral part of these financial statements

Consolidated Statement of Change in Equity

AS AT DECEMBER 31, 2011, DECEMBER 31, 2010, AND JANUARY 1, 2010

THOUSANDS OF DOLLARS	Accumulated other comprehensive income*	Retained earnings	**Total**
Balance January 1, 2010	$ 65,620	$ 128,301	**$ 193,921**
Profit for the year	–	83,297	**83,297**
Allocations to clients (Note 14)	–	(104,522)	**(104,522)**
Net change in fair value of available-for-sale financial assets	51,678	–	**51,678**
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(21,950)	–	**(21,950)**
Balance December 31, 2010	95,348	107,076	**202,424**
Profit for the year	–	47,398	**47,398**
Allocations to clients (Note 14)	–	(116,729)	**(116,729)**
Net change in fair value of available-for-sale financial assets	96,610	–	**96,610**
Net change in fair value of available-for-sale financial assets transferred to profit or loss	26,249	–	**26,249**
Balance December 31, 2011	$ 218,207	$ 37,745	**$ 255,952**

The notes on pages 20 to 43 are an integral part of these financial statements

** Unrealized gain/loss on available-for-sale investments*

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED DECEMBER 31

THOUSANDS OF DOLLARS	2011	2010
OPERATING ACTIVITIVES		
Profit for the year	$ 47,398	83,297
Non-cash items:		
Gain on disposal of investments	(10,330)	(8,606)
Accretion of discounts on investments	(39,714)	(33,197)
Amortization of (premium) discount and issue costs on debt	409	(985)
Accrual of investment income due to clients	7,955	2,678
Amortization on property and equipment	25	25
Loss from change in fair value of derivative contracts	51,817	27,689
Changes in accrued interest and other receivables	13,795	(3,165)
Changes in trade and other payables	(860)	(910)
Net cash provided by operating activities	70,495	66,826
INVESTING ACTIVITIES		
Investments sold or matured	2,533,136	1,630,496
Investments purchased	(2,797,456)	(2,016,382)
Net cash applied to investing activities	(264,320)	(385,886)
FINANCING ACTIVITIES		
New debt issued	876,659	460,286
Debt retired	(566,749)	(207,775)
Loan repayments from clients	463,530	789,168
New loans to clients	(513,510)	(725,996)
Bank indebtedness and commercial paper issued	12,100,512	9,498,845
Bank indebtedness and commercial paper repaid	(12,111,279)	(9,538,116)
Contributions from clients for new loans	3,632	4,818
Contributions and earnings refunded to clients	(6,645)	(6,810)
Payments of surplus to clients (Note 14)	(14,742)	(11,451)
Payments of sewer and water grants to clients	(1,878)	(278)
Net cash provided by financing activities	229,530	262,691
Increase (decrease) in cash and cash equivalents	35,705	(56,369)
Cash and cash equivalents, beginning of the year	52,976	109,345
Cash and cash equivalents, end of the year	$ 88,681	52,976

The notes on pages 20 to 43 are an integral part of these financial statements

Supplementary cash flow information (Note 15)

Notes to the Consolidated Financial Statements

YEAR ENDING DECEMBER 31, 2011

1. Reporting entity

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the *Municipal Finance Authority Act* (the "*Act*") as a central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts, and special purpose other municipal bodies (collectively the "clients"). The Authority issues its own securities and lends the proceeds to clients at whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia (the "Province") and are not guaranteed, directly or indirectly, by the Province.

The Authority may annually impose rates, not exceeding prescribed amounts, on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the Board of Trustees is of the opinion that debt repayments may not be recovered within a reasonable time under the loan agreements with clients.

Under Section 149 (1) (c) of the *Income Tax Act*, the Authority is exempt from income taxes.

These consolidated financial statements reflect the capital financing and general operations of the Authority. The Authority also has established pooled investment funds which are reported on separately.

These consolidated financial statements incorporate the financial statements of the Authority and its wholly owned subsidiary, the *MFA Leasing Corporation*, an entity controlled by the Authority. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences and will continue to be included until the date that control ceases. The accounting policies of the subsidiary are aligned with the policies adopted by the Authority.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Basis of presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. These are the Authority's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Authority is provided in note 20.

The consolidated financial statements were authorized for issue by the Board of Members on March 29, 2012.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets including cash and cash equivalents and investments are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Authority's functional currency. All tabular financial information presented has been rounded to the nearest thousand.

Notes to the Consolidated Financial Statements continued

2. Basis of presentation (continued)

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies with the most significant effect on the amounts recognized in the consolidated financial statements relates to loans to clients (see note 8).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

(a) Retained earnings:

The retained earnings balance primarily represents undistributed and unallocated earnings on investments in excess of budgeted actuarial earnings and are paid to clients once their loan obligation is extinguished and the associated funding debenture is retired. The amount of retained earnings re-allocated to clients is disclosed in the consolidated statement of change in equity (see note 14).

The Authority has no authorized or issued share capital.

The Authority is required under the Act to segregate certain activities by fund.

The primary activity of the Authority is the provision of financial services to clients which are recorded in the Debt Fund. In addition, the Act provides for an Operating Fund and Debt Reserve Fund which are also included in these consolidated financial statements.

Debt Fund

The Authority's financing activities on behalf of clients are recorded within the Debt Fund. As well, the Debt Fund is a repository for repayments from clients under their loan agreements in advance of the Authority's requirements on its related indebtedness. The Debt Fund also includes a short-term financing program to provide funding to local governments under Section 11 of the Act. The Act was amended in 1992 to extend financing to other public institutions (as defined) in the Province of British Columbia.

The fund provides a revolving credit facility for clients under two programs:

Leasing Program – for funding short-term leasing of capital assets.

Interim Financing Program – for tax revenue anticipation, interim funding requirements and temporary financing of capital projects.

Operating Fund

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Debt Fund activities, the Operating Fund receives financial service fees from the Authority's Pooled Investment Funds (reported on separately) and the Short-term Financing Program and pays the cost of their operations (see note 19).

Notes to the Consolidated Financial Statements continued

3. Significant accounting policies (continued)

Debt Reserve Fund

Under the Act, the Authority must establish a Debt Reserve Fund. Each regional district sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund: (a) an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing, and (b) an amount equal to one-half the average annual installment of principal and interest as set out in the borrowing agreements entered into with its member municipalities. Such amounts are payable either in full or in an amount equal to 1% of the total principal amount borrowed, with the balance secured by a noninterest-bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund (see note 5).

(b) Revenue recognition:

The annual operating tax levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and by the Provincial Surveyor of Taxes and is payable to the Authority by August 1st each year.

(c) Interest revenue and expense:

Interest revenue and expense for all interest-bearing financial instruments is recognized within interest revenue and interest expense in the consolidated statement of comprehensive income using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash flow through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial assets or liability.

Interest revenue and expense presented in the consolidated statement of comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortized cost, calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

(d) Financial instruments:

(i) Non-derivative financial assets:
The Authority has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Authority manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Authority's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Authority has no non-derivative financial assets classified as fair value through profit or loss.

3. Significant accounting policies (continued)

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise loans to clients, short-term loans to clients, and other receivables.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. The Authority's cash and cash equivalents and investments are classified as available-for-sale financial assets. Available-for-sale financial assets are initially recorded at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

(ii) Non-derivative financial liabilities:

The Authority initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Authority has the following non-derivative financial liabilities: long-term debt, bank and short-term indebtedness, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The Authority does not have any non-derivative financial liabilities classified as fair value through profit or loss.

(iii) Derivative financial instruments, including hedge accounting:

The Authority is authorized to enter into financial contracts that may be considered hedging transactions. These transactions include forward interest rate contracts on behalf of clients and certain derivative instruments where established cash flow streams are exchanged for a future cash payment upon contract maturity. The Authority does not conduct derivative trading or contracting for trading gain.

Forward interest rate contracts are derivative contracts with various financial institutions that provide clients with a fixed lending rate for a predetermined period of time, commencing at a specified future date. At the specified future date, the Authority settles the derivative contract with the financial institution and recovers the settlement cost from the client over the remaining term of the loan. The Authority no longer enters into forward interest rate contracts on behalf of clients.

Notes to the Consolidated Financial Statements continued

3. Significant accounting policies (continued)

As part of the sinking fund investment practices, the Authority may purchase derivative or cash flow annuity contracts with institutions whereby the Authority sells a cash flow stream of principal collections from a client or group of clients to an institution for a future lump sum principal amount. The Authority will enter into these contracts to achieve fixed yields to meet actuarial requirements or to aggregate cash flows which could not be effectively invested by themselves due to the magnitude of individual transactions.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

The Authority determines whether hedge accounting can be applied when the individual derivative contracts are first established.

During the years presented, no derivative contracts were accounted for under hedge accounting.

(e) Investments:

The investment purchasing and trading policy of the Authority is to match the maturity of investments with the applicable obligation dates of the related debt.

Investment acquisitions and disposals are recorded as of the trade date. Although investments are typically held to maturity, all investments have been designated as available-for-sale and stated at fair value. Any unrealized change in fair value is reflected in accumulated other comprehensive income and subsequently transferred to profit or loss when realized.

Fair values of investments are determined at quoted market prices where available. Where quoted active market prices are not available, estimated fair values are calculated using comparable securities.

(f) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Notes to the Consolidated Financial Statements continued

3. Significant accounting policies (continued)

The estimated useful lives for the current and comparative periods are as follows:

- buildings 40 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Impairment:

(i) Financial assets (including receivables):

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence is considered to exist when there is a significant or prolonged decline in value.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Authority considers evidence of impairment for receivables, including loans to clients, at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale investment security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

The carrying amounts of the Authority's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes to the Consolidated Financial Statements continued

3. Significant accounting policies (continued)

(ii) Non-financial assets:

The recoverable amount of a non-financial asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of a non-financial asset exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Comparative figures:

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation for the current year.

(i) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Authority, except for IFRS 9 Financial Instruments, which becomes mandatory for the Authority's 2015 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

4. Investments, net of holdings of the Authority

Investments consist of the following:

THOUSANDS OF DOLLARS					Dec 31	Dec 31	Jan 1
	within 1yr	*1-3yrs*	*3-5yrs*	*over 5yrs*	**2011**	2010	2010
Government of Canada	*$ 14,992*	*471*	*516*	*47,641*	**$ 63,620**	72,719	5,460
Provincial governments	*49,056*	*99,443*	*24,999*	*912,519*	**1,086,017**	774,580	614,774
Chartered banks	*102,275*	*100,111*	*105,784*	*391,277*	**699,447**	667,978	551,549
Credit Unions	*114,888*	–	–	–	**114,888**	129,924	–
Local governments	*21,964*	–	*2,489*	*115,645*	**140,098**	45,303	23,631
Commercial paper	*23,661*	–	–	–	**23,661**	–	–
Pooled investments	–	–	–	–	**–**	–	35,501
	$ 326,836	*200,025*	*133,788*	*1,467,082*	**$ 2,127,731**	1,690,504	1,230,915

Investments in Government of Canada, Provincial governments, and chartered banks may be direct or guaranteed.

Investments in the Pooled Investment Funds are investments in the Authority's own pooled funds which are unit holdings of fixed income securities established under Section 16 of the Act. These funds are managed externally by Phillips, Hager & North Investment Management Ltd. and are reported on separately.

The Authority may invest monies in its own securities maturing not later than the securities for which the sinking fund was created. At December 31, 2011, the Authority held $154,345 (December 31, 2010 – $157,975; January 1, 2010 – $2,328,370) of its own debentures, as investments, repurchased from the market. These investments have been offset against the related debt in the consolidated financial statements.

Notes to the Consolidated Financial Statements continued

5. Debt Reserve Fund

The Debt Reserve Fund holds assets as security for debenture payments to bondholders. If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

The balance held in the Debt Reserve Fund is as follows:

THOUSANDS OF DOLLARS	Dec 31	Dec 31	Jan 1
	2011	2010	2010
Cash	**$ 28,619**	23,608	58,721
Accrued interest receivable	**355**	368	188
Investments	**84,259**	84,315	48,697
	$ 113,233	108,291	107,606

Included in Investments, net of holdings of the Authority are investments of the Debt Reserve Fund:

THOUSANDS OF DOLLARS	Dec 31	Dec 31	Jan 1
	2011	2010	2010
Government of Canada	**$ 52,621**	66,772	4,568
Provincial governments	**10,035**	7,664	11,173
Chartered banks	**9,555**	9,777	28,900
Local governments	**12,048**	102	4,056
	$ 84,259	84,315	48,697

Also integral to the Debt Reserve Fund, but not presented on the consolidated statement of financial position, are Demand Notes Receivable from clients of $238,843,262 (December 31, 2010 – $244,289,059; January 1, 2010 – $241,837,164) which are entered into upon commencement of a loan and are callable on demand to meet Authority obligations. Once clients have made the final payment under their respective loan agreements the demand notes will be extinguished. For financial statement presentation these demand notes receivable have been classified as an offset against Due to clients, reflecting their contingent nature. Throughout the history of the organization, the Authority has never called upon any demand note.

If the Board of Trustees of the Authority is of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province of British Columbia, rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than 50% of the amount that would have been in the fund had no such payments been made.

During the year, the Debt Reserve Fund recognized total revenue of $8,059,212 (2010 – $2,766,179) and incurred total expenses of $104,126 (2010 – $88,619). Included in accumulated other comprehensive income is an unrealized mark-to-market valuation gain on the investments of $4,228,505 (2010 – $55,521 loss). The Authority's practice is to hold investments until maturity to minimize the impact of fluctuations of market pricing on investment values. The excess of revenue over expenses in the fund was $7,955,086 (2010 – $2,677,560) and is recorded as an accrual of investment income due to clients.

Notes to the Consolidated Financial Statements continued

6. Derivative contracts

Derivative contracts are forward interest rate swaps, which are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount. These contracts are entered into as devices to control interest rate risk. Notional amounts represent the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not recorded on the consolidated statement of financial position. The credit risk related to derivative contracts is limited to the amount of any adverse change in interest rates applied on the notional contract should the counterparty default. It is the Authority's policy that any loss incurred on the derivative contract is charged to the client, for whom the contract was established, thereby passing on the interest and credit risk to the client requesting interest rate certainty.

Interest rate swap fair values at December 31 were as follows:

THOUSANDS OF DOLLARS		Dec 31	Dec 31	Jan 1
	Notional amount	**2011**	2010	2010
Derivative contracts, positive fair values	$ 24,900	**$ 2,694**	3,048	9,515
Derivative contracts, negative fair values	498,868	**(83,596)**	(32,133)	(10,912)
	$ 523,768	**$ (80,902)**	(29,085)	(1,397)

The following summarizes the maturities of derivative contracts:

THOUSANDS OF DOLLARS	less than 1 year		more than 1 year	
	Notional amount	Weighted average interest rate	Notional amount	Weighted average interest rate
December 31, 2011	$ 11,000	5.14%	$ 512,768	5.20%
December 31, 2010	33,774	5.84%	553,568	5.24%
January 1, 2010	–	–	587,342	5.28%

7. Short-term loans to clients

Short-term loans receivable represent loans for the following purposes:

THOUSANDS OF DOLLARS	Dec 31	Dec 31	Jan 1
	2011	2010	2010
Tax revenue anticipation	**$ 200**	200	–
Temporary financing of capital projects	**125,303**	149,170	395,242
Short-term capital borrowing	**1,595**	2,150	2,883
Short-term leases of capital equipment	**47,584**	47,865	52,054
	$ 174,682	199,385	450,179

Short-term leases of capital equipment bear interest at a rate of prime minus 1% while all other short-term loans are charged interest based on the daily 30-day Canadian Dollar Offered Rate (CDOR) plus 0.50%. All short-term loans carry a maximum term of 5 years.

The amounts due within one year are $19,928 (December 31, 2010 – $14,088; January 1, 2010 – $116,999).

8. Loans to clients

Loans are initially measured at fair value and subsequently reflected at amortized cost using the effective interest method. Lending rates on loans are fixed for borrowing terms commencing with the initial period of the loan. The Authority conducts an annual evaluation of loan impairment to determine if an impairment writedown is necessary. No impairments have been taken in the current or previous years. A reduction in the carrying value of a loan may be recovered by an offsetting transfer from the Debt Reserve Fund and ultimately through a levy on taxable land and improvements if it is believed that payments under loan agreements may not be recovered within a reasonable time.

The aggregate principal payments recoverable from clients in each of the next five years and aggregated to maturity (excluding principal payments suspended as outlined in note 14) are as follows:

THOUSANDS OF DOLLARS		
2012	$	**287,270**
2013		**277,225**
2014		**256,508**
2015		**244,782**
2016		**230,906**
2017 – 2021		**920,587**
2022 and thereafter		**779,131**
	$	**2,996,409**

These scheduled principal payments require management to estimate an expected earnings rate on investments, (5% up to and including issue 88 and 4% on issues thereafter) therefore included in Loans to clients are budgeted non-cash actuarial adjustments of $1,734,366,327. This actuarial adjustment represents the estimated interest income on the investment portfolio for principal payments collected from clients and invested by the Authority until the related debt is retired. As principal payments are received the associated actuarial adjustments are credited to the loan balance outstanding.

When the Authority, under Section 14 of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from clients under the related loan agreements are suspended.

9. Property and equipment

Property and equipment represent the net book value of the land and building out of which the Authority operates. The land and building, purchased at an original cost of $998,000, is reflected net of accumulated amortization of the building of $367,849 (December 31, 2010 – $342,917; January 1, 2010 – $317,985).

Notes to the Consolidated Financial Statements continued

10. Trade and other payables

Trade and other payables consist of:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010	Jan 1 2010
Interest payable – Long-term debt	$	**36,650**	37,290	37,681
Other payables		**441**	661	1,179
	$	**37,091**	37,951	38,860

11. Bank and short-term indebtedness

The Authority has an agreement under which a chartered bank provides a revolving credit facility of up to $200,000,000. Under that agreement, the Authority may borrow at a daily floating rate based on the prime rate or at negotiated rates for fixed terms up to one year in length. Floating-rate borrowings are subject to repayment within 30 days following demand by the bank while fixed-term borrowings are repayable at maturity.

The Authority operates a $500,000,000 commercial paper facility which allows for the issuance of short-term notes in the name of the Authority of up to 365 days in duration and requires a fully secured standby line of credit from one or more chartered banks.

Bank and short-term indebtedness consists of:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010	Jan 1 2010
Credit facility – floating	$	**–**	10,852	–
Credit facility – fixed		**–**	–	49,992
Commercial paper		**499,767**	499,682	499,812
	$	**499,767**	510,534	549,804

As at year end, the interest rate on the floating credit facility was 1.50% (December 31, 2010 – 1.10%; January 1, 2010 – 2.25%) and the fixed credit facility was 1.50% (December 31, 2010 – 1.70%; January 1, 2010 – 0.90%). As at year end, the interest rate on commercial paper issued was 1.00% (December 31, 2010 – 1.01%; January 1, 2010 – 0.25%).

Clients may choose terms on their long-term loans ranging from 5 to 30 years. Since most debenture debt issued to finance these loans matures in 10 years, debt refinancing is required. Refinancing is undertaken either through the issuance of a new debenture or the use of short-term facilities. This decision is reached based on the Authority's assessment of current market conditions and sinking fund positions. Bank and short-term indebtedness at year end includes $34,120,888 (December 31, 2010 – $65,580,960; January 1, 2010 – $29,124,347) relating to debt issues refinanced through proceeds from short-term facilities.

12. Due to clients

Due to clients consists of:

THOUSANDS OF DOLLARS	Dec 31 2011	Dec 31 2010	Jan 1 2010
Amounts to be repaid to clients on loan repayment	$ 113,233	108,291	107,606
Sewer and water facilities assistance grants	–	274	530
Earnings on grant monies invested until payment	–	1,604	1,362
	$ 113,233	110,169	109,498

Amounts to be repaid to clients on loan repayment of $113,233,413 (December 31, 2010 – $108,291,092; January 1, 2010 – 107,606,759) will be distributed to regional districts when they have made the final payment under their respective loan agreements. However, if a municipality has discharged a loan obligation to a regional district, the Authority may then repay to the regional district, for the credit of the municipality, a portion of the money which is an obligation to the regional district and the money so paid may be applied to reduce that obligation.

Scheduled payments to clients in each of the next five years and to the maturity of all loans is as follows:

THOUSANDS OF DOLLARS	
2012	$ 4,899
2013	6,810
2014	5,957
2015	3,546
2016	4,018
2017 – 2021	27,931
2022 and thereafter	60,072
	$ 113,233

Notes to the Consolidated Financial Statements continued

13. Long-term debt

The aggregate Long-term debt maturities in each of the next five years and aggregated to maturity are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

THOUSANDS OF DOLLARS		
2012	$	448,455
2013		390,485
2014		671,541
2015		213,041
2016		1,238,086
2017 – 2021		2,785,095
2022 and thereafter		460,735
		6,207,438
Deferred financing costs, net of accumulated amortization		13,308
	$	6,220,746

Client bylaw terms (up to 30 years) may not coincide with the Authority's debenture term (usually 10 years), and therefore many client borrowing requests require refinancing. Scheduled refinancing over the next five years, and the current average interest rates on the refinanced amounts, are as follows:

THOUSANDS OF DOLLARS	Refinancing	Average existing Interest rate
2012	$ 331,000	5.25%
2013	354,000	4.90%
2014	472,000	3.59%
2015	104,000	4.26%
2016	998,000	3.92%

14. Allocations to clients

Allocations to clients comprise the total of surpluses earned (excess earnings) by the investments relating to specific debenture issues that have matured and were distributed back to clients for whom the financing was undertaken. Accruals of investment income due to clients and allocations of net profit to clients, which apply to the Debt Reserve Fund, are shown separately.

During the year, the following surpluses were allocated:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010
Cash surplus repayments	$	**14,742**	11,451
Future invoice payments forgiven		**11,643**	4,509
Actuarial earnings recognized		**90,344**	88,562
	$	**116,729**	104,522

Included in actuarial earnings recognized is $32,985,841 (2010 – $34,489,973) of accrued earnings calculated from the last principal payment dates to December 31, 2011.

15. Supplemental cash flow information

During the year, the Authority received the following cash payments:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010
Interest from clients – long-term loans	$	**315,629**	322,798
Interest from clients – short-term loans		**3,618**	3,840
Interest from investments		**54,019**	34,243

During the year, the Authority made the following cash payments:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010
Interest on long-term debt	$	**287,633**	286,708
Interest on short-term indebtedness		**4,918**	2,621

The amounts shown on the consolidated statement of comprehensive income are recorded on an accrual basis and may differ from the information presented above on a cash basis.

Notes to the Consolidated Financial Statements continued

16. Financial instruments

(a) Risk management:

The Authority has a restrictive investment policy as defined in the Act which limits investments to fixed income securities of the Government of Canada and its agencies, Provinces in Canada, local governments in Canada, Canadian chartered banks, and Canadian saving institutions. No equity investments are permitted.

All long-term loans to clients are approved according to Provincial legal and financial requirements and each loan request must be reviewed by the Members of the Authority prior to funding. One percent of each borrowing request must be deposited as a refundable cash contribution and held in the Debt Reserve Fund as security against possible loan default. Furthermore, the Authority has the power to levy a province-wide property tax to meet operational requirements.

(b) Liquidity risk:

Liquidity risk is the risk that a portfolio may not be able to settle or meet its obligation on time or at a reasonable price.

Each loan request is funded at the time the Authority raises monies in capital markets and the cash flow on debt repayment is matched to the cash flow on loan collections. The Authority monitors cash resources daily and continually reviews future cash flow requirements to ensure obligations are met.

The Authority maintains a commercial paper program of $500 million, has access to bank demand facilities of $200 million, and maintains a Debt Reserve Fund which is available to ensure timely payment of its obligations.

THOUSANDS OF DOLLARS

December 31, 2011		Carrying amount	Contractual cash flows	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*more than 5 years*
Non-derivative financial liabilities								
Trade and other payables	$	37,091	37,091	*37,091*	-	-	-	-
Bank and short-term indebtedness		499,767	499,767	*499,767*	-	-	-	-
Due to clients		113,233	113,233	*2,115*	*2,784*	*6,810*	*13,521*	*88,003*
Long-term debt		6,220,746	7,901,793	*230,948*	*499,546*	*875,900*	*2,665,026*	*3,630,373*
Derivative financial liabilities								
Derivative contracts		83,596	-	-	-	-	-	-
	$	6,954,433	8,551,884	*769,921*	*502,330*	*882,710*	*2,678,547*	*3,718,376*

16. Financial instruments (continued)

THOUSANDS OF DOLLARS							
December 31, 2010	Carrying amount	Contractual cash flows	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*more than 5 years*
Non-derivative financial liabilities							
Trade and other payables	$ 37,951	37,951	*37,951*	-	-	-	-
Bank and short-term indebtedness	510,534	510,534	*510,534*	-	-	-	-
Due to clients	110,169	110,169	*4,372*	*1,535*	*5,428*	*16,626*	*82,208*
Long-term debt	5,910,423	7,743,756	*691,593*	*164,377*	*956,682*	*1,845,078*	*4,086,026*
Derivative financial liabilities							
Derivative contracts	32,133	-	-	-	-	-	-
	$ 6,601,210	8,402,410	*1,244,450*	*165,912*	*962,110*	*1,861,704*	*4,168,234*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Although investments are purchased with the intention to hold to maturity, they are designated as available-for-sale. Changes in the fair value of investments have parallel changes in value in equity. Investment trading will only occur if the transaction is within the investing policy and enhances the overall position of the portfolio. Trading is not done on speculation of interest rate changes and investments are not liquidated in response to declines in market prices.

The Authority sets the lending rates on loans at similar levels to the yield realized on debenture issuances such that the cash flow obligations on debentures and loans financed are matched. Any changes in interest rates during the period in which loans and the related debentures are outstanding will have no impact on operations.

Notes to the Consolidated Financial Statements continued

16. Financial instruments (continued)

At the reporting date the interest rate profile of the Authority`s interest-bearing financial instruments was:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010
Fixed rate instruments			
Financial assets	$	**6,833,584**	6,427,028
Financial liabilities		**(6,220,746)**	(5,910,423)
	$	**612,838**	516,605
Variable rate instruments			
Financial assets	$	**199,604**	220,940
Financial liabilities		**(499,767)**	(510,534)
	$	**(300,163)**	(289,594)

Fair value sensitivity analysis for fixed rate instruments

The Authority does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Authority does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model; therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity, at the reporting date, by $5,647 (2010 – $3,770).

Cash flow sensitivity analysis for variable rate instruments

An increase or (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

THOUSANDS OF DOLLARS				
	2011		2010	
	Profit or Loss		Profit or Loss	
	100bp increase	**100bp decrease**	100bp increase	100bp decrease
Variable rate instruments	**(2,950)**	**2,950**	(1,916)	1,916
Derivative contracts	**(5,556)**	**5,556**	(5,873)	5,873
Cash flow sensitivity	**(8,506)**	**8,506**	(7,789)	7,789

Notes to the Consolidated Financial Statements continued

16. Financial instruments (continued)

(d) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010	Jan 1 2010
Investments - available-for-sale	$	**2,127,731**	1,690,504	1,230,915
Loans and receivables		**4,990,649**	5,056,451	5,209,267
Cash and cash equivalents		**88,681**	52,976	109,345
Derivative contracts, positive fair value		**2,694**	3,048	9,515
	$	**7,209,755**	6,802,979	6,559,042

The investment portfolio is restricted to investment grade (BBB or higher) fixed-income securities with the preservation of principal as the highest priority.

Clients requesting loans must first comply with provincially imposed financial criteria which define borrowing limits and assess the ability to service new and existing debt. Within each regional district, each member municipality has joint and several obligations for all long-term loans undertaken. The general credit strength of each individual municipality supports the credit worthiness of the Authority.

For transactions that engage financial institutions as counterparties, the Authority will only enter into agreements with Schedule I or Schedule II banks with a credit rating of single A or better.

(e) Other price risk and currency risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

All loans and long-term debt are recorded at amortized cost using the effective interest method. Clients that pay out loan obligations prior to maturity must cover all cash flow requirements to that maturity date.

The Authority is not subject to currency risk. The functional currency is the Canadian dollar and all transactions are denominated in Canadian dollars.

(f) Derivatives:

The Authority has entered into financial agreements to economically hedge investment yields with third-party financial institutions whereby the Authority will make periodic payments in exchange for certain future cash receipts. At year end, the future payments under these contracts due to the Authority is $188,870,309 (2010 – $198,401,033) while related principal payments by the Authority towards those contracts are $62,083,193 (2010 – $66,285,977).

As at December 31, 2011 a derivative asset and a derivative liability was recorded representing the fair value of derivative instruments (note 6). The asset and liability arises from the current market valuation of contracts that have preset future lending rates on client loan agreements. This valuation recognizes the difference between the present value of the stated interest rate in the contracts and the prevailing market rate discounted to December 31, 2011. At execution date of the contracts, any difference between the contract rate on the client's loan and the market rate on the Authority's debenture will be realized. The value at this time will either be collected from the client or from the financial institution with the intention that the Authority will remain cash neutral in the transaction.

16. Financial instruments (continued)

(g) Fair value:

Fair value represents the estimated consideration that would be agreed upon in a current transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the value of the consideration given or received. Subsequent to initial recognition, financial instruments measured at fair value that are quoted in active markets are based on bid prices. For certain investments and derivative contracts where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observables for the asset or liability, either (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THOUSANDS OF DOLLARS	Level 1	Level 2	Total
December 31, 2011			
Available-for-sale financial assets	$ 1,999,080	128,651	2,127,731
Derivative financial assets	–	2,694	2,694
	1,999,080	131,345	2,130,425
Derivative financial liabilities	–	(83,596)	(83,596)
	$ 1,999,080	47,749	2,046,829

THOUSANDS OF DOLLARS	Level 1	Level 2	Total
December 31, 2010			
Available-for-sale financial assets	$ 1,538,051	152,453	1,690,504
Derivative financial assets	–	3,048	3,048
	1,538,051	155,501	1,693,552
Derivative financial liabilities	–	(32,133)	(32,133)
	$ 1,538,051	123,368	1,661,419

There were no financial instruments measured using unobservable market data (referred to as Level 3) or transfers of financial instruments between valuation levels during 2011 or 2010.

Notes to the Consolidated Financial Statements continued

16. Financial instruments (continued)

Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

THOUSANDS OF DOLLARS	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Cash and cash equivalents	$ 88,681	$ 88,681	$ 52,976	$ 52,976
Investments	2,127,731	2,127,731	1,690,504	1,690,504
Derivative contracts	2,694	2,694	3,048	3,048
	$ 2,219,106	$ 2,219,106	$ 1,746,528	$ 1,746,528
Assets carried at amortized cost				
Loans and receivables	$ 4,990,649	$ 5,539,933	$ 5,056,451	$ 5,406,313
Liabilities carried at fair value				
Derivative contracts	$ (83,596)	$ (83,596)	$ (32,133)	$ (32,133)
Liabilities carried at amortized cost				
Trade and other payables	$ (37,091)	$ (37,091)	$ (37,951)	$ (37,951)
Bank and short-term indebtedness	(499,767)	(499,767)	(510,534)	(510,534)
Due to clients	(113,233)	(113,233)	(110,169)	(110,169)
Long-term debt	(6,220,746)	(6,865,682)	(5,910,423)	(6,284,341)
	$ (6,870,837)	$ (7,515,773)	$ (6,569,077)	$ (6,942,995)

17. Capital management

The Authority manages its capital, defined as equity and long-term debt, with an objective to safeguard the ability to continue as a going concern, and to preserve investor, creditor, and market confidence while maintaining uninterrupted access to capital markets and bank loan facilities.

The Authority monitors its debt servicing costs and matches those obligations to cash flows arising from the lending of funds with the goal of providing clients with low-cost financing.

The Authority has no regulatory or externally imposed capital requirements; however, the bank has imposed certain covenants in connection with the short-term loan facilities. As at December 31, 2011 and 2010, the Authority was in compliance with these covenants. There were no changes to the approach to capital management during the year.

18. Industry segment

The Authority operates in one segment, being the central borrowing agency for the financing of capital requirements of regional districts, regional hospital districts, and municipalities in British Columbia. As at December 31, 2011 and 2010, the Authority has no assets or operations outside of British Columbia.

Notes to the Consolidated Financial Statements continued

19. Operating Fund

Included in the consolidated statement of financial position of the Authority are the following assets and liabilities of the Operating Fund:

THOUSANDS OF DOLLARS		Dec 31 2011	Dec 31 2010	Jan 1 2010
Cash and cash equivalents	$	**204**	8,036	7,215
Accrued interest and other receivables		**9,322**	304	346
Property and equipment		**630**	655	680
Total assets	$	**10,156**	8,995	8,241
Trade and other payables	$	**267**	376	790
Equity		**9,889**	8,619	7,451
Total liabilities and equity	$	**10,156**	8,995	8,241

During the year, the Operating Fund recognized total revenue of $3,851,231 (2010 – $3,773,706) and incurred total expenses of $2,580,703 (2010 – $2,605,876).

20. Explanation of transition to IFRS

As stated in note 2(a), these are the Authority's first consolidated financial statements prepared in accordance with IFRSs.

The Authority's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Policies ("CGAAP") up to and including December 31, 2010, and restated using IFRSs for these consolidated financial statements. The financial reporting requirements of CGAAP differ in a number of areas from those prescribed by IFRSs. The Authority's consolidated financial statements for the year ended December 31, 2011 are the first annual consolidated financial statements prepared in compliance with IFRSs. The Authority's transition date to IFRSs was January 1, 2010 and accordingly, the Authority prepared its opening IFRSs consolidated statement of financial position as at that date and has complied with IFRS 1- *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

Upon transition to IFRSs, the general principle is that financial statements must be prepared on a retrospective basis as if IFRSs had always been applied. In addition to exempting entities from the requirement to restate comparatives for particular standards, IFRS 1 provides certain mandatory exemptions and grants certain optional exemptions from full retrospective application of IFRSs. In preparing these consolidated financial statements in accordance with IFRS 1, the Authority has applied the mandatory exemptions but none of the optional exemptions.

In preparing its opening IFRS statement of financial position, the Authority has adjusted amounts reported previously in consolidated financial statements prepared in accordance with CGAAP. An explanation of how the transition from CGAAP to IFRSs has affected the Authority's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Consolidated Financial Statements continued

20. Explanation of transition to IFRS (continued)

THOUSANDS OF DOLLARS	January 1, 2010			December 31, 2010		
	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets						
Cash and cash equivalents	$ 109,345	–	**109,345**	$ 52,976	–	**52,976**
Investments	1,230,915	–	**1,230,915**	1,690,504	–	**1,690,504**
Accrued interest and other receivables	95,822	–	**95,822**	98,987	–	**98,987**
Derivative contracts	9,515	–	**9,515**	3,048	–	**3,048**
Short-term loans to clients	450,179	–	**450,179**	199,385	–	**199,385**
Loans to clients	4,663,266	–	**4,663,266**	4,758,079	–	**4,758,079**
Property and equipment	680	–	**680**	655	–	**655**
Total Assets	$ 6,559,722	–	**6,559,722**	$ 6,803,634	–	**6,803,634**
Liabilities						
Trade and other payables	38,860	–	**38,860**	37,951	–	**37,951**
Bank and short-term indebtedness	549,804	–	**549,804**	510,534	–	**510,534**
Due to clients	109,498	–	**109,498**	110,169	–	**110,169**
Derivative contracts	10,912	–	**10,912**	32,133	–	**32,133**
Long-term debt	5,679,018	(22,291)	**5,656,727**	5,932,099	(21,676)	**5,910,423**
Total Liabilities	$ 6,388,092	(22,291)	**6,365,801**	$ 6,622,886	(21,676)	**6,601,210**
Equity						
Accumulated other comprehensive income	–	65,620	**65,620**	–	95,348	**95.348**
Retained earnings	171,630	43,329	**128,301**	180,748	(73,672)	**107,076**
Total Equity	171,630	22,291	**193,921**	180,748	21,676	**202,424**
Total Liabilities and Equity	$ 6,559,722	–	**6,559,722**	$ 6,803,634	–	**6,803,634**

20. Explanation of transition to IFRS (continued)

Reconciliation of comprehensive income for the year ended December 31, 2010

THOUSANDS OF DOLLARS		Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE				
Interest from loans to clients	$	327,740	–	**327,740**
Investment income		75,196	–	**75,196**
Financial service fees		1,802	–	**1,802**
Recoveries from new issues		32	–	**32**
Operating levy		211	–	**211**
Total Revenue	$	404,981	–	**404,981**
EXPENSE				
Interest on long-term debt	$	286,316	–	**286,361**
Interest on bank and short-term indebtedness		2,621	–	**2,621**
Amortization of (premium), discount, and issue costs on debt		(1,600)	615	**(985)**
Administration		3,225	–	**3,225**
Accrual of investment income due to clients		2,678	–	**2,678**
Debt management and marketing		140	–	**140**
Loss from change in fair value of derivative instruments		27,689	–	**27,689**
Total Expense	$	321,069	615	**321,684**
Profit for the year		83,912	615	**83,297**
OTHER COMPREHENSIVE INCOME				
Net change in fair value of available for sale financial assets		–	51,678	**51,678**
Net change in fair value of available assets transfer to profit or loss		–	(21,950)	**(21,950)**
Other Comprehensive Income for the year		–	29,728	**29,728**
Total Comprehensive Income for the year	$	83,912	29,113	**113,025**

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under previous CGAAP.

Under IFRS, transaction costs in respect of financial instruments, other than financial instruments at fair value through profit or loss, are included in the initial measurement of the financial instrument. Under previous CGAAP, entities were permitted to make an accounting policy choice to either include transaction costs in respect of other financial instruments in the initial measurement of the financial instrument, or recognize them in profit or loss immediately. The Authority had previously expensed transaction costs associated with the issuance of long-term debt.

Notes to the Consolidated Financial Statements continued

20. Explanation of transition to IFRS (continued)

The impact arising from the change is summarized as follows:

THOUSANDS OF DOLLARS		
Statement of comprehensive income		December 31 2010
Increase in amortization of (premium) discount and issue costs on debt	$	615
Adjustment	$	615

THOUSANDS OF DOLLARS			
Statement of financial position		January 1 2010	December 31 2010
Decrease in long-term debt	$	(22,291)	(21,676)
Increase in total equity	$	22,291	21,676

21. Related party transactions

Compensation of key management personnel and trustees during the years ended December 31, 2011 and 2010 were as follows:

THOUSANDS OF DOLLARS		Dec 31	Dec 31
		2011	2010
Compensation	$	**787**	756

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2011 and 2010.

Schedule of Long-Term Debt

Unaudited – for information purposes only

THOUSANDS OF DOLLARS					
ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT		ORIGINAL AMOUNT
Issued by the Authority:					
55CP	1993	May 12, 2013	8.750	$	50,000
71DS	2009	June 1, 2014	3.100		440,000
74CX	2001	June 1, 2011	5.900		491,800
75DV	2011	June 1, 2016	3.000		515,000
78CZ	2002/2003	December 3, 2012	5.250		340,000
80CV	2003	October 3, 2012	4.850		130,700
80DA	2003	December 3, 2013	4.900		288,300
81DB	2004	April 22, 2012 - 2013	4.750 - 4.950		40,000
85DC	2004	December 2, 2014	4.900		180,000
86DD	2004	December 2, 2024	5.350		50,000
87DP	2008	May 1, 2011	3.850		19,000
92DF	2005	April 6, 2012 - April 6, 2015	4.400 - 4.700		63,400
93DG	2005	April 6, 2025	4.978		118,300
95DH	2005	October 13, 2015	4.150		167,000
96DI	2005	April 2, 2026	4.600		50,000
97DL	2006	April 19, 2016	4.650		715,000
98	2006	May 15, 2011	4.000		175
101DM	2007	December 1, 2017	4.800		500,000
102DN	2007	December 1, 2027	4.950		310,000
103DO	2008	April 23, 2018	4.600		440,000
104DQ	2008	November 20, 2018	5.100		400,000
105DR	2009	June 3, 2019	4.875		630,000
110DT	2010	June 1, 2020	4.450		435,000
113	2011	March 25, 2021	3.560		2,300
116DU	2011	June 1, 2021	4.150		330,000
			carried forward	$	6,705,975

DECEMBER 31, 2011 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2010 LONG-TERM DEBT OUSTANDING	REFERENCES
$ 50,000	50,000	(1)
440,000	440,000	(1)
-	491,800	(1)
515,000	-	(1)
340,000	340,000	(1)
16,700	33,400	(1)
288,300	288,300	(1)
7,000	11,250	(1)
180,000	180,000	(1)
50,000	50,000	(1)
-	19,000	(1)
38,850	42,900	(1)
91,680	96,349	(1)
167,000	167,000	(1)
50,000	50,000	(1)
715,000	715,000	(1)
-	175	(1) (2)
500,000	500,000	(1)
310,000	310,000	(1)
440,000	440,000	(1)
400,000	400,000	(1)
630,000	630,000	(1)
435,000	435,000	(1)
2,300	-	(1) (2)
330,000	-	(1)
$ 5,996,830	5,690,174	

Schedule of Long-Term Debt

Unaudited – for information purposes only

THOUSANDS OF DOLLARS

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT		ORIGINAL AMOUNT
			brought forward	$	6,705,975
Transferred from the Province of British Columbia:					
514 to 628	1999	Jan 9, 2012 - Nov 30, 2023	7.500 – 9.625		297,929
903	1999	January 9, 2012	9.500		33,000
912	1999	January 9, 2012	9.500		24,000
					354,929
Issued through the Federation of Canadian Municipalities:					
83	2003	March 31, 2013	3.710		2,100
84	2004	June 11, 2014	3.182		20,000
90	2005	June 6, 2015	2.900		11,310
107	2009	October 30, 2019	1.920		1,492
108	2009	November 16, 2029	2.230		1,769
109	2010	January 29, 2020	1.830		500
					37,171
Issued through the Canada Mortgage and Housing Corporation:					
111	2010	October 1, 2025	3.350		10,187
114	2011	March 29, 2026	3.650		15,920
115	2011	March 29, 2031	3.890		10,200
					36,307
Debt due to bondholders				$	7,134,382
Less: Amounts held as investments by the Authority:					
Unamortized (premium) discount and issue costs:					
Long-term debt					

DECEMBER 31, 2011 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2010 LONG-TERM DEBT OUSTANDING	REFERENCES
$ 5,996,830	5,690,174	
82,708	107,929	(1) (3)
33,000	33,000	(1) (4)
24,000	24,000	(1) (4)
139,708	164,929	
420	630	(1) (5)
20,000	20,000	(1) (5)
11,310	11,310	(1) (5)
1,492	1,492	(1) (5)
1,633	1,724	(1) (5)
425	475	(1) (5)
35,280	35,631	
9,654	10,187	(1) (6)
15,920	-	(1) (6)
10,200	-	(1) (6)
35,774	10,187	
6,207,592	5,900,921	
154	158	
(13,308)	(9,660)	
$ 6,220,746	5,910,423	

References to Schedule of Long-Term Debt

DECEMBER 31, 2011 AND 2010

1. Non-callable prior to maturity.
2. Community Bond.
3. Debenture issues, relating to the Regional Hospital Districts, transferred from the Province of British Columbia to the Authority under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province and is comprised of 21 debenture issues averaging $3,938 million each. Individual issue detail is not shown.
4. Debenture issues, relating to the Greater Vancouver Water and the Greater Vancouver Sewerage & Drainage Districts, transferred from the Province of British Columbia to the Authority on April 1, 1996. The debt outstanding remains in the name of the Province.
5. Debentures issued through the Federation of Canadian Municipalities and administered by the Authority.
6. Debentures issued through the Canada Mortgage and Housing Corporation and administered by the Authority.

Schedule of Loans to Clients

Unaudited – for information purposes only

THOUSANDS OF DOLLARS (except per capita)	PRINCIPAL OUTSTANDING DEC 31, 2010	NEW LOANS 2011	LOANS REPAID 2011	PRINCIPAL OUTSTANDING DEC 31, 2011	per capita	PRINCIPAL TO BE REPAID (Note b)	per capita
REGIONAL DISTRICTS (Note a)							
Alberni-Clayoquot	$ 18,071	2,888	1,467	**19,492**	616	$ 10,691	338
Bulkley-Nechako	7,507	800	901	**7,406**	189	4,788	122
Capital	486,108	33,292	41,493	**477,907**	1,284	322,214	865
Cariboo	37,799	3,000	3,334	**37,465**	572	22,424	343
Central Coast	253	–	16	**237**	75	93	29
Central Kootenay	52,310	2,606	5,383	**49,533**	820	29,154	483
Central Okanagan	247,268	53,878	19,033	**282,113**	1,521	183,110	987
Columbia Shuswap	93,759	45,930	4,270	**135,419**	2,523	77,852	1,450
Comox Valley	59,655	2,732	5,244	**57,143**	884	34,067	527
Cowichan Valley	47,472	1,919	3,504	**45,887**	554	27,548	332
East Kootenay	44,770	5,565	5,429	**44,906**	745	30,384	504
Fraser-Fort George	111,192	64	10,482	**100,774**	1,043	59,100	612
Fraser Valley	186,501	–	11,320	**175,181**	615	104,850	368
Greater Vancouver (Note c)	2,159,059	158,593	204,440	**2,113,212**	890	1,346,603	567
Kitimat-Stikine	31,172	856	1,801	**30,227**	762	18,726	472
Kootenay Boundary	21,396	2,953	2,361	**21,988**	690	14,176	445
Mount Waddington	5,801	2,000	585	**7,216**	598	4,444	368
Nanaimo	71,385	9,828	5,704	**75,509**	504	46,813	313
North Okanagan	111,494	11,650	7,185	**115,959**	1,395	71,204	856
Northern Rockies	18,303	-	740	**17,563**	2,829	9,407	1,515
Okanagan-Similkameen	121,348	3,707	9,486	**115,569**	1,396	75,191	909
Peace River	185,515	2,000	8,967	**178,548**	2,818	105,474	1,664
Powell River	6,957	6,025	1,156	**11,826**	578	6,699	327
Skeena-Queen Charlotte	14,653	–	885	**13,768**	706	7,951	408
Squamish-Lillooet	64,473	2,413	3,619	**63,267**	1,568	39,349	975
Strathcona	10,872	549	3,709	**7,712**	174	5,727	129
Sunshine Coast	46,398	2,300	2,511	**46,187**	1,540	28,132	938
Thompson-Nicola	105,102	7,701	8,711	**104,092**	791	70,201	533
OTHER							
E-COMM	94,296	–	1,561	**92,735**	34	52,316	19
CREST	17,758	–	1,724	**16,034**	43	10,808	29
TransLink	279,432	–	13,532	**265,900**	112	176,912	75
	$ 4,758,079	363,249	390,553	**4,730,775**	1,044	$ 2,996,408	728

Note a: *Included in each Regional District's loan balance is its associated Regional Hospital District debt. As at year end the loan balances attributed to these Regional Hospital Districts is $583,204,008 (2010 - $539,357,723).*

Note b: *The Authority finances client borrowing requests through the issuance of bullet debentures. Clients in turn discharge their loan obligations with annual principal repayments which are invested until the maturity date of the associated financing debenture. The Authority budgets to earn a specified return on these investments and annually credits the clients' loan balances with this amount. The difference between the Principal Outstanding of $4,730,775,000 and the Principal To Be Repaid of $2,996,408,000 represents expected future earnings by the Authority.*

Note c: *Included in the Greater Vancouver loan balance outstanding are borrowings of the region's transportation authority (TransLink) in the amount of $1,070,498,623 (2010 - $1,157,225,333) which are in the name of and administered through the Greater Vancouver Regional District. Direct borrowings of TransLink are shown under OTHER loan balances. Both loans portfolios are joint and several obligations of the underlying municipalities within the Greater Vancouver region.*

Five-Year Review

Unaudited – for information purposes only

THOUSANDS OF DOLLARS		2011	2010
ASSETS			
Cash and cash equivalents	$	**88,681**	52,976
Investments, net of holdings of the Authority		**2,127,731**	1,690,504
Accrued interest and other receivables		**85,192**	98,987
Derivative contracts		**2,694**	3,048
Short-term loans to clients		**174,682**	199,385
Loans to clients		**4,730,775**	4,758,079
Property and equipment		**630**	655
Total Assets	$	**7,210,385**	6,803,634
LIABILITIES AND EQUITY			
Trade and other payables		**$ 37,091**	37,951
Bank and short-term indebtedness		**499,767**	510,534
Due to clients		**113,233**	110,169
Derivative contracts		**83,596**	32,133
Long-term debt		**6,220,746**	5,910,423
Total Liabilities		**6,954,433**	6,601,210
Equity		**255,952**	202,424
Total Liabilities and Equity	$	**7,210,385**	6,803,634
REVENUE			
Interest from loans to clients	$	**317,850**	327,740
Investment income		**82,560**	75,196
Financial service fees		**1,903**	1,802
Recoveries from new issues		**50**	32
Operating levy		**220**	211
Total Revenue		**402,583**	404,981
EXPENSE			
Interest on long-term debt		**286,993**	286,316
Interest on bank and short-term indebtedness		**4,918**	2,621
Amortization of (premium) discount and issue costs on debt		**409**	(985)
Administration		**2,945**	3,225
Accrual of investment income due to clients		**7,955**	2,678
Debt management and marketing		**148**	140
Loss (gain) from change in fair value of derivative instruments		**51,817**	27,689
Total Expense		**355,185**	321,684
Profit for the year		**47,398**	83,297
Equity, beginning of the year		**202,424**	193,921
Effect of adoption of new accounting policies		**–**	–
Allocations to clients		**(116,729)**	(104,522)
Unrealized gains (losses) from change in fair value of available-for-sale investments		**122,347**	29,728
Rebates paid		**–**	–
Equity, end of the year	$	**255,952**	202,424

2009	2008	2007
109,345	99,202	9,547
1,230,915	1,456,908	1,327,491
95,822	92,367	121,656
9,515	7,536	1,849
450,179	185,226	168,980
4,663,266	4,397,126	4,058,809
680	705	730
6,559,722	6,239,070	5,689,062
38,860	83,855	57,954
549,804	575,629	511,517
109,498	104,292	98,405
10,912	48,013	16,948
5,656,727	5,291,640	4,849,265
6,365,801	6,103,429	5,534,089
193,921	135,641	154,973
6,559,722	6,239,070	5,689,062
319,483	302,490	284,738
61,590	67,191	67,097
2,274	1,714	1,488
408	429	429
203	160	197
383,958	371,984	353,949
276,851	259,600	239,166
3,077	15,386	19,827
2,085	5,244	7,012
3,042	2,603	2,825
3,908	5,156	2,680
253	223	264
(40,899)	33,164	6,205
248,317	321,376	277,979
135,641	50,608	75,970
110,252	154,973	185,751
22,291	–	15,174
(104,931)	(87,000)	(120,318)
31,368	17,760	(904)
(700)	(700)	(700)
193,921	135,641	154,973

Bond Issues

Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

ISSUE / SERIES	DECSRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2011 $(000)	INTEREST
55CP	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	Semi-annual May 12 November 12
71DS	3.100% Debentures due June 1, 2014	June 1, 2009	440,000	440,000	Semi-annual June 1 December 1
75DV	3.000% Debentures due June 1, 2016	June 1, 2011	515,000	515,000	Semi-annual June 1 December 1
78CZ	5.250% Debentures due December 3, 2012	October 3, 2002	340,000	340,000	Semi-annual June 3 December 3
80CV	4.850% Serial Debentures due October 3, 2012	October 3, 2003	130,700	16,700	Semi-annual April 3 October 3
80DA	4.900% Debentures due December 3, 2013	December 3, 2003	288,300	288,300	Semi-annual June 3 December 3
81DB	4.750 - 4.950% Serial Debentures due April 22, 2012 - 2013	April 22, 2004	40,000	7,000	Semi-annual April 22 October 22
85DC	4.900% Debentures due December 2, 2014	October 25, 2004	180,000	180,000	Semi-annual June 2 December 2
86DD	5.350% Debentures due December 2, 2024	October 25, 2004	50,000	50,000	Semi-annual June 2 December 2
92DF	4.400 - 4.700% Serial Debentures due April 6, 2012 – 2015	April 6, 2005	63,400	38,850	Semi-annual April 6 October 6
93DG	4.978% Amortizing Debentures due April 6, 2025	April 6, 2005	118,300	91,680	Semi-annual April 6 October 6

DENOMINATIONS	CALL PROVISION	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	2012 - 16,700	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	2012 - 3,500 2013 - 3,500	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	2012 - 4,050 2013 - 3,900 2014 - 3,900 2015 - 27,000	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada

Bond Issues

Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

ISSUE / SERIES	DECSRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2011 $(000)	INTEREST
95DH	4.150% Debentures due October 13, 2015	October 13, 2005	167,000	167,000	Semi-annual April 13 October 13
96DI	4.600% Debentures due April 2, 2026	October 13, 2005	50,000	50,000	Semi-annual April 2 October 2
97DL	4.650% Debentures due April 19, 2016	April 19, 2006	715,000	715,000	Semi-annual April 19 October 19
101DM	4.800% Debentures due December 1, 2017	October 10, 2007	500,000	500,000	Semi-annual June 1 December 1
102DN	4.950% Debentures due December 1, 2027	November 1, 2007	310,000	310,000	Semi-annual June 1 December 1
103DO	4.900% Debentures due April 23, 2018	April 23, 2008	440,000	440,000	Semi-annual April 23 October 23
104DQ	5.100% Debentures due November 20, 2018	November 20, 2008	400,000	400,000	Semi-annual May 20 November 20
105DR	4.875% Debentures due June 3, 2019	April 21, 2009	630,000	630,000	Semi-annual June 3 December 3
110DT	4.450% Debentures due June 1, 2020	April 8, 2010	435,000	435,000	Semi-annual June 1 December 1
113	3.560% Debentures due March 25, 2021	March 25, 2011	2,300	2,300	Semi-annual March 25 September 25
116DU	4.150% Debentures due June 1, 2021	April 4, 2011	330,000	330,000	Semi-annual June 1 December 1

DENOMINATIONS	CALL PROVISION	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $100,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	BNY Trust Company of Canada

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