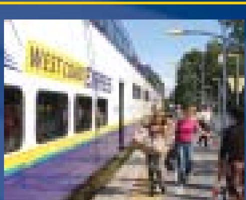
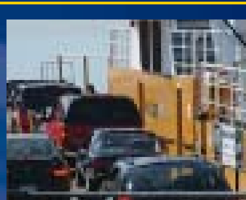
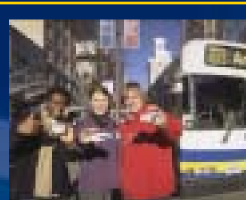
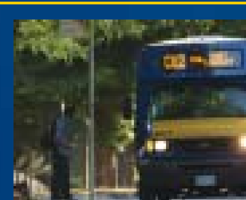
KEEPING GREATER VANCOUVER MOVING

TRANSLINK 2003 ANNUAL REPORT




TRANSLINK
Greater Vancouver
Transportation Authority

TABLE OF CONTENTS

TRANSLINK WINNER OF TWO PRESTIGIOUS CANADIAN URBAN TRANSIT ASSOCIATION CORPORATE AWARDS (CUTA)

TRANSLINK'S U-PASS PROGRAM
introduced in the fall of 2003
to 58,000 students
at UBC and SFU
was selected as winner
for "Innovation"

B-LINE BUS RAPID TRANSIT
won the CUTA Corporate Award
for Exceptional Performance/
Outstanding Achievement

cuta actu
Canadian Urban Transit Association
Association canadienne du transport urbain

The 2003 GVTA Annual Report was prepared under the direction of the Board of Directors, which is accountable for the contents of the report, including the selection of performance measures and the reported results. Any conflict between the material published in this report and the Greater Vancouver Transportation Authority Act will be resolved by reference to the Act. All significant decisions, events and identified risks, as of December 31, 2003, have been considered in preparing the report.

On behalf of the Board of Directors
Doug McCallum, Chair

COMPANY PROFILE

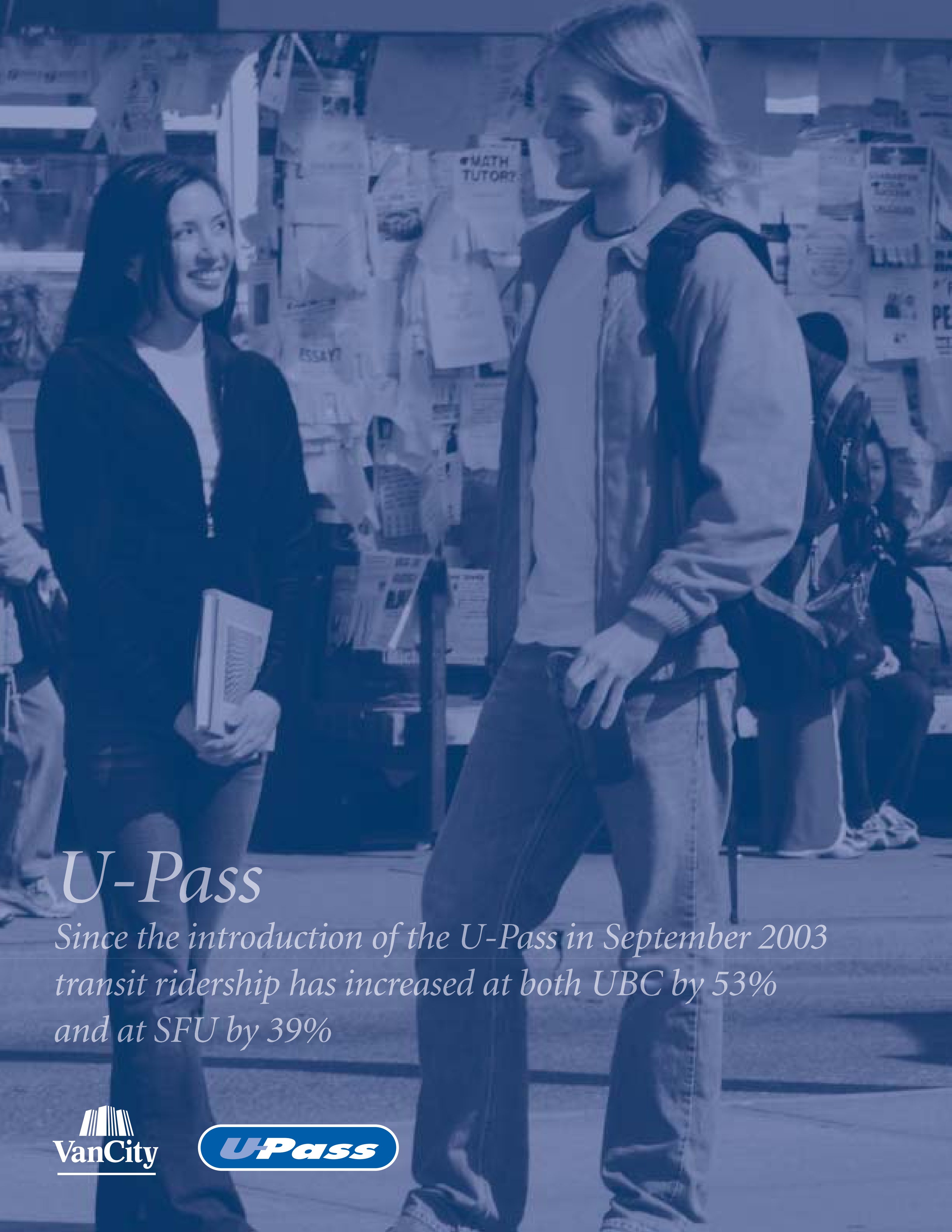
On July 30, 1998, the British Columbia legislature passed Bill 36 - 1998, the Greater Vancouver Transportation Authority Act. On April 1, 1999, the Greater Vancouver Transportation Authority, known as TransLink, became responsible for planning, funding, building and marketing an integrated transportation system for the Greater Vancouver Regional District (GVRD). The region sought local control over its transportation system to support its broader goals for population growth, economic development and air quality that were established in the GVRD's Livable Region Strategic Plan.

TransLink's mandate includes the public transit system, custom transit for people with disabilities, a 2,200-lane kilometre network of major arterial roads, a vehicle emissions testing program and initiatives to encourage sustainable alternatives to travel by single-occupant vehicles. It has the authority to create subsidiary companies or to enter into contracts for the delivery of transit, road services and travel alternative programs to manage the demand on the transportation system.

By law, TransLink is required to produce medium and long-range Strategic Transportation Plans that support the region's goals and to consult with the public and stakeholders as these plans are created. A series of three-year transportation and financial plans build the system toward the goals in the longer-range plans. TransLink's annual program plan specifies the road, transit and transportation demand management objectives that are to be achieved and establishes the required operating and capital budgets.

2003 KEY ACCOMPLISHMENTS

- *Introduction of the region's first Universal Transit Pass (U-Pass) program for 58,000 students at the University of British Columbia and Simon Fraser University.*
- *Transit ridership growth of 11.7% over 2002 - the biggest increase since 1986.*
- *A year-long, region wide consultation on a new 10-Year Outlook for the transportation system and a new Three-Year Transportation Plan for 2005 through 2007.*
- *Approval and funding for seven major new road projects and the new Fraser River Crossing to improve the flow of goods, services and people.*
- *A major expansion of Community Shuttle (mini-bus) services and increased bus service on major corridors.*
- *NightBus service from downtown Vancouver's entertainment zone on Friday and Saturday nights to key regional destinations was introduced.*



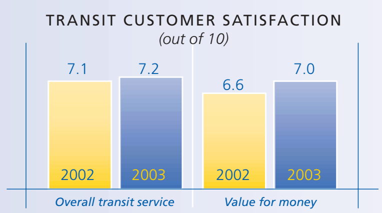
U-Pass

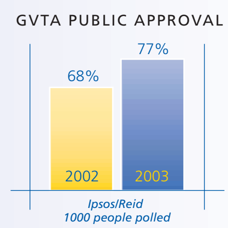
Since the introduction of the U-Pass in September 2003 transit ridership has increased at both UBC by 53% and at SFU by 39%

TransLink is developing a "Balanced Scorecard" to measure and evaluate its performance. Four perspectives were chosen as the strategic framework for the scorecard: customer, financial, best practices and employees. These perspectives embody TransLink's mandate under the GVTA Act, its mission, vision and values, as well as key stakeholder input.

CUSTOMER

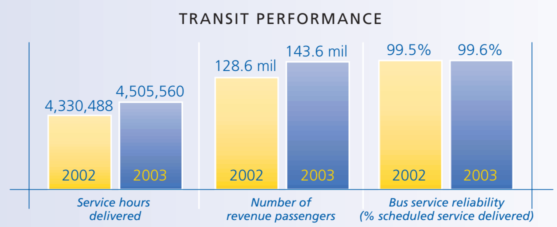
This perspective captures all of TransLink's constituents - transportation system users, residents, governments and regional business and community groups. Customer satisfaction levels indicate how well TransLink is promoting its vision of a healthy economy and good quality of life.





BEST PRACTICES

This perspective reflects the operating culture that TransLink will embrace in the delivery of its service and internal business processes. Our focus includes the operational performance of the transit system, capital project management and environmental stewardship.

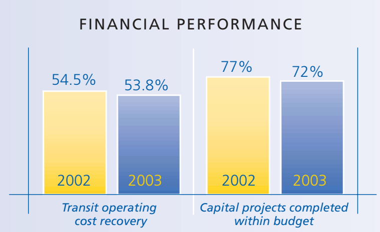


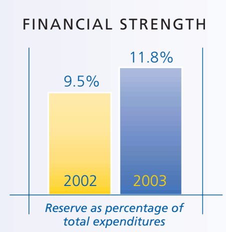
EMPLOYEE

This addresses the organization's capacity to execute current and future strategic objectives and the approaches we will undertake to develop and involve our employees.

FINANCIAL

This perspective focuses on TransLink's need to ensure the financial sustainability of the transportation system, and demonstrates its responsibility and accountability as a public sector organization.





Our Vision

We see a transportation future where people and goods move in a way that promotes a healthy economy, environment and quality of life for generations to come.

BUILDING THE FUTURE TRANSPORTATION SYSTEM

On December 10, 2003, the Board of Directors approved Greater Vancouver's next three-year transportation and financial plan for 2005 through 2007 and a longer range "outlook" to 2013. With a regional investment of $3.9 billion plus senior government and partner funding of over $1 billion, the plan and outlook mark a return to the aggressive network improvements TransLink launched at its inception in 1999, but scaled back due to the financial shortfall in 2001.

The plan proposes a significant expansion for roads and transit over the next 10 years. New roads will improve movement of goods and services, more buses will bring frequent transit service to a wider area in our far-ranging system and two proposed rapid transit lines, Richmond-Airport-Vancouver and the connection to the Northeast Sector, will complete two of the three missing pieces in our rapid transit network. As well, there will be more post-secondary students with discounted "U-Pass" transit passes, cycling infrastructure expansion and greater emphasis on transportation alternatives to manage the demand on our system.

As much as we measure transportation improvements in lane kilometres of roads, rapid transit guideways and the size of the bus fleet, the real future of our system is actually built on something quite different. The "foundation" is really the will of the public, and never was the will of the public to improve the system more evident than in 2003.

Throughout the year, thousands of people contributed in many ways to creating our transportation future. Business and community leaders participated in three TransLink-sponsored major Urban Transportation Forums, where they worked through the issues and challenges and examined solutions. Technical staff from our region's 21 municipalities collaborated with TransLink's planners to ensure proposed improvements were judged on their potential to improve the network as a whole. Over 15,000 citizens participated in the process through opinion surveys, an internet-based program and public meetings.

This level of public involvement was impressive. It indicated what opinion surveys confirmed time after time – that transportation is the number one public issue in our region. People can see for themselves the impact of growing traffic congestion on the economy, air quality and their personal quality of life. They want improvements and a strong majority are willing to pay for them.

We're very proud of our region's status as one of the most livable places in the world. In the invitations I've had to discuss transportation issues from South Africa to China and through the opportunities I've had to meet delegations from all over the world who visit Greater Vancouver to see our system at work, we have good reason to be proud and to be extremely focused on the things we need to do to preserve the livability of our region.

Looking back on 2003, there is no doubt that the future of our transportation system was built on a foundation of public pride, the motivation to see things improve and a strong consensus on our direction. On December 10th our Board used that consensus to launch a $3.9 billion investment in better transit, better roads and better travel options. The work is already underway with new buses being ordered, rapid transit planning proceeding and survey crews lining up new roads. Our direction is set and, judging from everything we heard in 2003, it's the right one.

DOUG McCALLUM
Chair

Our Mission

We plan, finance, implement and champion an integrated transportation system that moves people and goods safely and efficiently, supporting Greater Vancouver's regional growth strategy, air quality objectives and economic development.

A MESSAGE *from the* CEO

KEEPING GREATER VANCOUVER MOVING

2003 has been a dynamic year at TransLink as the organization moved forward to meet the commitments in its 2002 to 2004 Three-Year Transportation and Financial plan. We met our strategic objectives to expand transit services and increase transit ridership, move forward on a range of road improvement projects, improve operational efficiencies and develop projects that are key to the region's transportation future.

Transit ridership rose by 11.7 per cent over 2002 levels, the largest single year increase since the Expo SkyTrain Line opened in 1986. The introduction of the Universal Transit Pass (U-Pass) produced ridership increases of 53 per cent at the University of British Columbia and 39 per cent at Simon Fraser University. The Employer Pass Program, in which people buy discounted transit passes through a payroll deduction plan, grew by 40 per cent to over 8,000 participants, with a further 20 per cent increase expected in 2004.

A major expansion of Community Shuttle (mini-bus) services took place in September in Port Moody, Coquitlam, Port Coquitlam, Anmore, Belcarra and New Westminster as well as improvements in Langley. TransLink refined its strategy for Community Shuttle in 2003 by giving its subsidiary, Coast Mountain Bus Company, the right of first refusal on all new operating contracts from 2004 through 2007, in recognition of its outstanding performance in the White Rock shuttle service.

TransLink's road improvement initiatives for the region's Major Road Network continued, with another $20 million allocated for a variety of intersection improvements, road widening, pedestrian crossing upgrades and structural rehabilitation. Cumulatively, these improvement projects over the last five years have significantly improved traffic flow and safety along major corridors for the movement of goods and services, transit and general traffic.

Public consultation and technical work proceeded on the new bridge across the Fraser River from Maple Ridge and Pitt Meadows to Langley and North Surrey along the 200th Street corridor. Meanwhile, the Richmond/Airport to Vancouver rapid transit project completed its definition phase and issued a formal request for proposals while options were developed for both the route and technology for a rapid transit connection from the Northeast Sector to the Millennium SkyTrain Line. Key recommendations on these projects are forthcoming to the TransLink Board in 2004.

Internally, TransLink realigned its structure during 2003 to enhance planning, management and financial oversight for the growing number of significant capital projects associated with the 2005 to 2007 Three-Year Transportation and Financial Plan. Our Chief Financial Officer assumed a new position as Chief Operating Officer to provide a continued focus on efficiencies and effectiveness while we merged the Strategic Planning and Implementation Planning departments to ensure coordination, creating a specific road unit within the division and putting more focus on planning data.

To understand the employees' perspective on the organization, its direction and its challenges, TransLink implemented an annual employee survey. The key findings indicate that employees enjoy a high degree of satisfaction with the dynamic nature of TransLink's challenges, leadership within the organization and the spirit in which its people pursue solutions to the region's transportation problems. This corporate spirit translated to community spirit as well, as staff participated in a wide variety of service initiatives and achieved "Gold Level" status for their contributions to the United Way.

The survey also told us that, at times, our dynamic environment creates a lack of clarity in individual roles and accountabilities as well as challenges in communication and the allocation of resources to meet a growing variety of programs and initiatives. As a result, TransLink is developing a more robust business planning process as well as strategies to support employee growth and development. This is among the executive's top priorities as we align our resources to continue to deliver on the promises made in our current and future Three-Year Plans.

TransLink met its 2003 objectives thanks to the collaboration between transportation stakeholders, the public and the region's elected representatives. We have entered 2004 poised to launch an unprecedented round of improvements that will move Greater Vancouver significantly toward its Livable Region goals.

PAT JACOBSEN
Chief Executive Officer

THE YEAR *in* REVIEW

(All numbers in thousands)	2000	2001	2002	2003
REVENUES				
Transit Fares and Advertising *(a)*	$208,200	$145,600	$232,748	$248,571
Fuel Tax	$162,200	$184,900	$227,657	$242,748
Other Taxes and Levies	$128,300	$120,570	$142,250	$149,858
AirCare	$ 25,800	$ 26,030	$ 30,533	$ 26,606
Total	$524,500	$477,100	$633,188	$667,783
MAJOR ROAD NETWORK				
Operating and Maintenance Costs	$ 20,986	$ 18,996	$ 22,282	$ 24,259
Albion Ferry Operating Costs	$ 4,100	$ 4,491	$ 4,906	$ 4,511
Total Expenditures	$ 25,086	$ 23,487	$ 27,188	$ 28,770
Albion Ferry Boarding Passengers	3,650	3,820	3,889	4,032
ROAD IMPROVEMENTS (MINOR CAPITAL) *(b)*				
TransLink Authorized Allocation *(c)*	$ 10,000	$ 10,000	$ 15,000	$ 20,000
MAJOR CAPITAL AUTHORIZED ALLOCATION	$ 5,000	$ 15,000	$ 35,000	$ 35,000
PUBLIC TRANSIT *(a)*				
Service Hours	4,328	3,506*(d)*	4,773	4,978
Operating Cost	$392,656	$331,558*(d)*	$417,437	$451,819
Revenue Passengers *(e)*	129,123	96,871*(d)*	129,731	144,832
Boarded Passengers *(f)*				
Coast Mountain Bus Company	170,210	106,121	160,372	179,002
West Vancouver Transit	5,727	6,078	6,513	6,697
SeaBus	5,472	3,306	4,713	4,640
SkyTrain	46,296	43,392	52,043	62,048
West Coast Express	1,927	1,901	1,929	1,930
HandyDART	1,021	1,062	1,053	1,106
Taxi Saver	180	182	183	190
Community Shuttle *(g)*	45	105	179	1,161

(a) Coast Mountain Bus Company bus and SeaBus operations were suspended from April 1st to August 7th, 2001 due to a labour dispute. Disruptions of bus connections to SkyTrain and West Coast Express also impacted ridership on these services during the strike.

(b) The MRN Minor Capital Program is a cost sharing partnership between TransLink and the municipalities. TransLink funding covers up to 50% of the eligible costs of approved capital improvements on the MRN.

(c) MRN Minor Capital amounts have been revised to reflect approved budgets.

(d) 2001 service hours, operating costs and revenue passengers have been revised to include HandyDART and Taxi Saver data.

(e) "Revenue Passengers" are the number of people who purchased a ticket and traveled to a destination regardless of the number of transfers made to complete the trip. This indicates the level of use of the transit system.

(f) "Boarded Passengers" are the total number of passengers using the system, including the initial boardings and transfers along the way. This indicates the capacity the system needs to carry the passengers using all of the different modes (bus, SeaBus, SkyTrain and West Coast Express).

(g) Two Community Shuttle routes operated in 2000 and 2001 - Bowen Island and Burnaby Heights. The White Rock/ South Surrey route commenced service in September 2002. New routes were introduced in September 2003, in Langley, the Northeast Sector and New Westminster.

AIRCARE	2000	2001	2002	2003
Vehicles Tested	968	748	779	786
Excess Emitting Vehicles Identified *(h)*	93	93	111	128

(h) In 2001 AirCare implemented a biennial (every two years) testing schedule for 1992 and newer vehicles so fewer vehicles are required to be tested. At the same time, more rigorous testing procedures have led to the identification of more excess emitting vehicles.

safety

communication and consultation

accountability

integrity

teamwork and partnerships

Our Values

We believe that the only way we can achieve our transportation vision is by applying these core values to everything we do.

customer service

fiscal responsibility

2003 RESULTS *vs* BUDGET

TransLink *(Excluding AirCare and Transportation Property and Casualty Company)*	2003 Budget	2003 Actuals	Variance $ Favourable (Unfavourable)	Variance %
REVENUES				
Transit	251,439,975	248,570,809	(2,869,166)	-1.1%
Taxation				
Fuel	250,300,063	242,748,100	(7,551,963)	-3.0%
Property	117,636,235	121,856,805	4,220,570	3.6%
Hydro Levy	16,070,205	16,373,986	303,781	1.9%
Parking	11,500,000	11,500,000	0	0.0%
Mission / Other	130,000	127,764	(2,236)	-1.7%
Total Taxation	395,636,503	392,606,655	(3,029,848)	-0.8%
Total Revenues	647,076,478	641,177,464	(5,899,014)	-0.9%
EXPENDITURES				
Program Costs				
Roads and Bridges				
Major Road Network	24,934,884	24,258,633	676,251	2.7%
Albion Ferry Operations	4,715,603	4,481,537	234,066	5.0%
Albion Ferry Allocated Costs	28,476	29,268	(792)	-2.8%
Total Roads and Bridges	29,678,963	28,769,438	909,525	3.1%
Transit				
Subsidiaries				
Coast Mountain Bus Company	312,749,511	314,949,200	(2,199,689)	-0.7%
SkyTrain	65,937,000	63,920,971	2,016,029	3.1%
West Coast Express	14,262,132	13,597,109	665,023	4.7%
Allocated Costs	22,884,859	20,369,971	2,514,888	11.0%
Total Subsidiaries	415,833,502	412,837,251	2,996,251	0.7%
Contractors	31,169,142	30,629,079	540,063	1.7%
Total Transit	447,002,644	443,466,330	3,536,314	0.8%
Total TransLink Programs	30,179,214	30,137,436	41,778	0.1%
Corporate Contingencies	3,193,427	6,607	3,186,820	99.8%
Total Program Costs	510,054,248	502,379,811	7,674,437	1.5%
Debt Service Costs	120,204,211	111,930,742	8,273,469	6.9%
Capital Contribution	7,950,000	7,950,000	-	0.0%
Special Projects	2,100,000	2,035,547	64,453	3.1%
Total Expenditures	640,308,459	624,296,100	16,012,359	2.5%
Other Items (Gain)/Loss		251,306	(251,306)	0.0%
Surplus/(Deficit)	6,768,019	16,630,058	9,862,039	145.7%
Reserve Balance	63,729,544	73,559,822	9,830,278	15.4%

AirCare Program *(self funding)*

Revenue	27,848,111	26,605,952	(1,242,159)	-4.5%
Expenditures	27,145,282	26,591,031	554,251	2.0%
Surplus/(Deficit)	702,829	14,921	(687,908)	
Reserve Balance	5,733,697	7,130,173	1,396,476	

TIMELINE *and* TRENDS

10-YEAR CAPITAL PROGRAM SCHEDULE

	2004/5	2006	2007	2008
RAPID TRANSIT EXPANSION	◆ VCC Station ◆ New Granville Street entrance	◆ Rapid transit options study for West Broadway extension		
FRASER RIVER CROSSING				◆ New crossing of the Fraser River
MAJOR ROAD PROJECTS	◆ Dollarton Bridge expansion to four lanes *(North Vancouver)* ◆ David Avenue extension *(Port Coquitlam)*			◆ Fraser Highway widening *(Surrey/Langley)* ◆ Coast Meridian with overpass to Kingsway *(Port Coquitlam)* ◆ 204th Street overpass *(Langley)* ◆ Main Street widening *(North Vancouver)* ◆ Murray-Clarke connector *(Port Moody)*
BUS FLEET EXPANSION AND REPLACEMENT	◆ 80 Community Shuttles ◆ 53 custom transit vehicles *(2004)* ◆ 51 custom transit vehicles	◆ 89 conventional buses ◆ 34 custom transit vehicles ◆ 5 Express Coaches	◆ 116 conventional buses ◆ 51 custom transit vehicles ◆ 6 Express Coaches	◆ 22 Community Shuttles ◆ 189 conventional buses ◆ 38 custom transit vehicles ◆ 228 trolley buses
BUS FACILITY IMPROVEMENTS		◆ New Vancouver facility ◆ New North Shore facility		◆ New heavy fleet maintenance facility
COMMUTER RAIL EXPANSION			◆ 2 new West Coast Express stations	
ROAD IMPROVEMENT PROGRAM *(minor capital)*	$200 MILLION *(to municipalities)* 2004 – 2013			
ROAD OPERATION AND MAINTENANCE FUNDING	$30 MILLION/YEAR *(to municipalities)* GROWING TO $40 MILLION/YEAR BY 2013			
TRANSIT RELATED INFRASTRUCTURE PROJECTS	$31 MILLION 2004 – 2013			
CYCLING PROGRAM	$54 MILLION *(to municipalities)* 2004 – 2013			

2.2 million in 2003

GVRD POPULATION

PEAK HOUR TRUCK MOVEMENTS IN THE GVRD

GROWTH IN CARGO SHIPMENTS, 2003 TO 2021

PORT EXPANSION, 2004 TO 2010

3 million by 2013
GVRD POPULATION

2009	2010	2011	2012	2013
◆ Richmond-Airport-Vancouver rapid transit ◆ Northeast Sector rapid transit	◆ King George bus rapid transit *(Surrey)*			
◆ North Fraser Perimeter *(Scheduled for completion 2006 - 2009, pending municipal approval)*				
◆ 27 Community Shuttles ◆ 126 conventional buses ◆ 46 custom transit vehicles ◆ 34 SkyTrain cars ◆ 1 new SeaBus	◆ 51 Community Shuttles ◆ 53 custom transit vehicles	◆ 36 Community Shuttles ◆ 51 custom transit vehicles	◆ 43 Community Shuttles ◆ 63 conventional buses ◆ 35 custom transit vehicles	◆ 12 Community Shuttles ◆ 157 conventional buses ◆ 50 custom transit vehicles ◆ 6 Express Coaches
	◆ Burnaby Transit Centre expansion			

ECONOMIC IMPACT OF THE 2010 WINTER OLYMPIC GAMES

AIR PASSENGER VOLUMES

ECONOMIC IMPACT OF TRANSLINK'S 10-YEAR OUTLOOK PROJECT CONSTRUCTION

GREATER VANCOUVER TRANSPORTATION AUTHORITY ACT

GREATER VANCOUVER REGIONAL DISTRICT

12 local members *One year term directly appointed by the GVRD*

PROVINCE OF BRITISH COLUMBIA

Three provincial members *(vacant)*

BOARD OF DIRECTORS *(At December 2003)*

CHAIR Doug McCallum, *Mayor, City of Surrey*

Fred Bass* *Vancouver*
Malcolm Brodie* *Richmond*
David Cadman* *Vancouver*
Larry Campbell *Vancouver*
Marlene Grinnell *Langley City*
Marvin Hunt* *Surrey*
Don MacLean* *Pitt Meadows*
Barbara Sharp *North Vancouver City*
Joe Trasolini *Port Moody*
Wayne Wright *New Westminster*
Scott Young* *Port Coquitlam*

** Finance and Audit Committee*

TRANS LINK
Greater Vancouver Transportation Authority

CHIEF EXECUTIVE OFFICER

Pat Jacobsen

WHOLLY-OWNED SUBSIDIARIES

AIRCARE
Martin Lay *President*

ALBION FERRY
Capt. David Miller *President*

COAST MOUNTAIN BUS COMPANY & SEABUS
Denis Clements *President*

SKYTRAIN
Doug Kelsey *President*

WEST COAST EXPRESS
Doug Kelsey *President*

INTELLIGENT TRANSPORTATION SYSTEMS

MAJOR PROJECTS

CHIEF OPERATING OFFICER

Ian Jarvis

VICE PRESIDENT CAPITAL MANAGEMENT
Sheri Plewes

VICE PRESIDENT CORPORATE AND PUBLIC AFFAIRS
Robert Paddon

VICE PRESIDENT PLANNING
Glen Leicester

DIRECTOR OF STRATEGIC PLANNING
Clive Rock

DIRECTOR OF COMMUNICATION
Ken Hardie

DIRECTOR OF HUMAN RESOURCES
Grant Close

CORPORATE COUNSEL
Gigi Chen-Kuo

CONTRACTORS

WEST VANCOUVER TRANSIT

COMMUNITY SHUTTLES

HANDYDART PROVIDERS

TRANSPORTATION DEMAND MANAGEMENT PROGRAMS

In 1997, the Greater Vancouver Regional District (GVRD) and the provincial government began to negotiate the transfer of responsibility for transit and other regional transportation services from the Province to the GVRD. The overall objective for the reorganized transportation system was to promote the development and implementation of transportation plans that would meet the objectives of the Province and the GVRD. The result of these negotiations was the creation of a new agency, the Greater Vancouver Transportation Authority (TransLink) in April 1999. The Provincial legislation that created TransLink, the Greater Vancouver Transportation Authority Act (GVTA Act) prescribes TransLink's governance structure.

The GVTA Act stipulates that the board is to be comprised of 15 members, 12 of which are appointed by the GVRD and three appointed by the Province. In December 2000, the three provincially appointed directors requested that their appointments be rescinded, citing conflicts between their role as a TransLink board member and as an MLA. The province has declined to appoint members since that time and the Board of Directors is currently comprised of the 12 GVRD appointed representatives.

In 2002 a GVRD task force (that was originally struck in 2000) was reconvened to consider governance issues raised since the creation of TransLink. With public and stakeholder input, the Task Force developed recommendations on the composition and size of the Board and the length of directors' terms. The Task Force, cautious about introducing major governance changes at a time when a number of new transportation initiatives were being implemented, recommended that the existing governance structure be maintained with the exception that the three provincially appointed representatives be eliminated and the number of GVRD appointed representatives be increased to 15. The Task Force presented its recommendations to the GVRD Board in September 2003, but a consensus on the appropriate governance structure for the GVTA has not been reached.

The GVTA provides integrated transportation services through its wholly-owned subsidiaries and contractors.

Each of the wholly-owned subsidiaries is governed by its own Board of Directors. Historically, the subsidiary boards have been comprised of GVTA directors and senior staff members and the president of the subsidiary. In April 2003, the GVTA Board resolved (pending the outcome of the GVTA governance review) that the boards of each of the operating subsidiaries would be comprised of two independent directors (appointed by the GVTA Board) and the subsidiary's president. This was an interim measure since the issue of subsidiary governance was to be addressed by the Governance Task Force report. Subsequently, the Governance Task Force recommended that the subsidiary boards should be comprised of non-elected directors with the necessary business, customer service and transportation expertise to provide meaningful oversight to the subsidiaries. It was also recommended that the independent directors be selected through a formal recruitment process. The recruitment of qualified candidates for the subsidiary boards was initiated during the year.

The GVTA Finance and Audit Committee was established in 2002 to assist the Board in its oversight function. It is composed entirely of members from the GVTA Board of Directors.

MANAGEMENT DISCUSSION *and* ANALYSIS

The following is a discussion and analysis of TransLink's consolidated financial position and results for the year ended December 31, 2003. This should be read in conjunction with the consolidated financial statements and related notes and the 2003 Financial Results vs Budget statement. Certain information provided in this Management Discussion and Analysis contains forward-looking statements, based on TransLink's estimates and assumptions that are subject to risks and uncertainties.

Assessment of operational results and financial status

Region wide discussions on the future of the GVRD's transportation system have taken place against an environment of population and economic growth and increasing demand on the existing road and transit system. A GVTA study showed that the region's population grew by four per cent between 1995 and 2000, while the growth rate for motor vehicles was double at eight per cent. There are strong indications that these trends will escalate over the next ten years.

The public's growing concern about the effect of congestion on the economy and quality of life in the region provided the backdrop to an in-depth consultation process from which the GVTA was able to develop and gain regional approval for a new Three-Year Transportation and Financial Plan (2002 through 2004). The plan promised stabilized transit and roads funding with modest improvements, funded by $80 million in additional revenue from transit fares, property tax and provincial fuel taxes. The GVTA committed to increasing roads funding by the equivalent of the added fuel tax revenue ($40 million) to improve efficiencies and to gain more federal funding.

In 2003, the "middle year" in the current plan, GVTA continued to deliver on the promises made. Transit service improvement was marked by the introduction of the Universal Pass (U-Pass) program to the University of British Columbia and Simon Fraser University; a significant expansion of Community Shuttle (mini-bus) services; the launch of the NightBus late-night weekend service; the awarding of a contract for the new fleet of electric trolley buses and the opening of the Lake City Way station on the Millennium Line. Over 200,000 annual service hours were added and transit ridership grew by 11.7 per cent.

The GVTA increased funding for the operation, maintenance and rehabilitation for segments of the Major Road Network that were municipal responsibilities prior to 1999. Funding per lane kilometre rose to $10,200 from $9,000 in 2002. Annual funding for road improvements was maintained at $20 million and accumulated funding of $90 million was available to be borrowed to cost share major new road projects with senior governments. Of this amount $46 million has been allocated to the Fraser River Crossing Project, which will be reimbursed when the contract is awarded. As part of the fall 2003 funding consultation eight major road projects have been identified that will be 100 per cent GVTA funded from the accumulated contributions.

Major progress was made on efficiencies. A new track lease agreement with CP Rail came into effect on January 1st, reducing West Coast Express operating costs by $2 million per year over the next 13 years. Operating costs for the Millennium SkyTrain Line, which opened in August 2002, were $2 million less than estimated. In order to draw down a higher-than-forecast surplus, the exemption from AirCare vehicle emissions tests was extended to three model years while fees were lowered by $1 to $43 for biennial tests and $23 for annual tests (required for 1991 and older model-year vehicles).

Overall, the GVTA's 2003 expenditures (excluding Pacific Vehicle Testing Technologies [AirCare] and Transportation Properties and Casualty Company) were under budget by $15.8 million and revenues were under budget by $5.9 million. Lower than anticipated transit fares and fuel tax were mitigated by higher property tax, due to the significant increase in residential property values in the region.

The 2003 annual surplus is $16.6 million, $9.9 million greater than budgeted. At year's end, the GVTA unrestricted accumulated surplus totalled $73.5 million. The Pacific Vehicle Testing Technologies and Transportation Properties and Casualty Company subsidiaries have accumulated surpluses of $7.1 million and $11.3 million respectively, which are restricted to those entities.

Major risks and opportunities

With its ratification by the GVRD in early 2004, the GVTA's new Three-Year Plan for 2005 through 2007 will mark the return of a more aggressive approach to transportation network improvements. This will be a significant opportunity to alleviate the pressure of increasing demand on the system and, by doing so, to demonstrate the value of the new investments to the public thereby validating their strong, continued support for system improvements.

TransLink's financial position is stronger thanks to a combination of new revenues, efficiencies and delayed expenditures, particularly the absence of major capital projects for the Major Road Network. This has allowed TransLink to advance some planned service improvements and to reinstate late night bus service.

At the same time and as reflected in 2003 results, sensitivities have become evident in fuel tax and transit fares. Fuel tax revenue was three per cent ($7.5 million) lower than budgeted. Revenue varies according to consumption, which in turn is impacted by gasoline prices, general economic conditions and price differentials with the Fraser Valley Regional District and, depending on the US/Canadian exchange rate, Washington State.

Transit fare revenue was one per cent ($2.9 million) below budget as more customers shifted to monthly passes, the prices of which were kept frozen in 2002 when cash fares and FareSaver ticket prices rose. This, plus the advent of the U-Pass program to the University of British Columbia and Simon Fraser University contributed to a drop in the average fare per transit ride to $1.69 in 2003 from $1.77 per ride in 2002.

In regard to new revenue sources, the recently approved 2005-2007 Three-Year Plan includes the implementation of a parking area/stall tax in 2005. Provincial legislation enabling the collection of the tax is required in the spring 2004 session in order for the new revenue stream to be in place in 2005. Passage in the fall session would result in a one year deferral, but would likely not significantly impact the planned service improvements. However if the legislation is not tabled a revised plan would be required.

Financial commitments made in the 2005 to 2007 Three-Year Transportation Plan will continue beyond 2007 into a period currently covered by the GVTA's 10-Year Outlook. A key source of funding anticipated in the Outlook period is the return of federal fuel tax revenue or its equivalent. The federal government has given strong indications that it intends to follow through on this commitment but the amount and structure have yet to be determined. As a "down payment" on this commitment effective February 1, 2004 municipalities (including GVTA) will be GST exempt.

If construction activity for the 2010 Winter Olympic Games coincides with the GVTA's major capital projects proposed in the next 10 years, there could be upward pressure on material and labour costs. As such, efforts began in late 2003 to move forward as quickly as possible on the Major Road Network expansion projects included in the Three-Year Plan and 10-Year Outlook.

Management perspective of the future

Through the current Three-Year Transportation and Financial Plan, the GVTA has achieved its goals of stabilizing the road and transit system, initiating modest but high-impact improvements, recovering transit ridership from system cutbacks and the 2001 labour dispute, and restoring public confidence. Public opinion research shows the GVTA's approval rating more than doubled from 33 per cent in late 2001 to 77 per cent in the fall of 2003.

The GVTA will use the same planning model over the next 10 years; a series of fully funded Three-Year Transportation Plans that move the system toward long-term objectives.

The GVTA's first Strategic Transportation Plan in 2000 was based on the objectives of Transport 2021, which was the transportation-planning component of the original Livable Region Strategic Plan. With a review of the Livable Region Plan due to take place, the GVTA's next Three-Year Transportation and Financial Plan (2005 - 2007) is based on a 10-Year Outlook that sets a general direction for the transportation system. The GVTA will work with the GVRD to develop a long-term strategic transportation plan that complements the revised Livable Region Strategic Plan.

The public continues to demonstrate concern for transportation-related issues and a willingness to support road and transit improvements. More importantly, there is a general willingness to pay personally for the improvements as long as people have confidence that benefits and costs are being shared equitably and the system is run efficiently. Partnerships with senior governments grew stronger in 2003, providing more political and financial impetus for system improvements.

The GVTA's year-long consultation in 2003 on the direction for the region's transportation system produced a strong regional consensus on the nature and scope of its future development. With this consensus in place, we remain confident in our financial and technical ability to deliver on our commitments and produce results that meet the public's expectations and contribute to the goals of our Livable Region Strategic Plan.

FINANCIAL REPORT

MANAGEMENT'S RESPONSIBILITY *for* CONSOLIDATED FINANCIAL STATEMENTS

Scope of Responsibility

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

Internal Controls

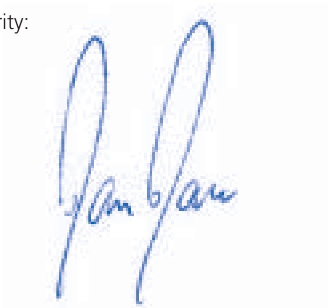
We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive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

Board of Directors and Finance and Audit Committee

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

On behalf of the Greater Vancouver Transportation Authority:

PAT JACOBSEN
Chief Executive Officer



IAN JARVIS
Chief Operating Officer and Chief Financial Officer

AUDITOR'S REPORT

To the Members of the Board of the Greater Vancouver Transportation Authority

We have audited the consolidated statement of financial position of the Greater Vancouver Transportation Authority (the "Authority") as at December 31, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

New Westminster, Canada
February 27, 2004

CONSOLIDATED STATEMENTS *of* FINANCIAL POSITION

DECEMBER 31, *(in thousands of dollars)*	2003	2002
ASSETS		
Current assets:		
Cash	$ 2,075	$ 5,576
Marketable securities	19,861	9,154
Due from Greater Vancouver Regional District *(note 7)*	38,578	4,754
Accounts receivable	31,829	32,356
Supplies inventory	23,233	23,856
Prepaid expenses	4,389	4,740
	119,965	80,436
Long-term investments *(market value - $14,037; 2002 - $10,150)*	13,985	9,756
Debt reserve deposits *(note 3)*	21,068	19,349
Debt sinking funds *(note 4)*	155,405	140,954
Deferred charges *(note 5)*	45,299	24,033
Capital assets *(note 6)*	830,132	843,364
	$1,185,854	$1,117,892
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 74,125	$ 80,600
Current portion of long-term debt *(note 8)*	33,552	30,135
Current portion of obligations under capital leases *(note 9)*	16,791	14,476
	124,468	125,211
Employee future benefits *(note 11)*	20,856	18,297
Long-term debt *(note 8)*	856,910	803,625
Obligations under capital leases *(note 9)*	39,246	56,038
Deferred capital contributions	70,110	64,758
Non-controlling interest in Transportation Property and Casualty Company Inc. *(note 2(a))*	1,461	1,489
	1,113,051	1,069,418
Net assets	72,803	48,474
	$1,185,854	$1,117,892

Pension Plans *(note 10)*

Commitments and contingencies *(note 13)*

Subsequent events *(note 16)*

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

DOUG McCALLUM
Director

DON MacLEAN
Director

CONSOLIDATED STATEMENTS *of* OPERATIONS

YEARS ENDED DECEMBER 31, *(in thousands of dollars)*	2003	2002
Revenue:		
Transit	$ 248,571	$ 232,748
Taxation	392,606	369,907
AirCare	26,606	30,533
Amortization of deferred capital contributions	2,954	2,954
	670,737	636,142
Expenses:		
Administration	20,700	19,658
Security	8,353	7,027
Other transportation demand initiatives	1,220	1,172
Special projects	2,042	1,964
Maintenance on Major Road Network	24,259	22,282
Bus, Seabus and Community Shuttle	357,732	334,730
SkyTrain	68,639	56,668
Commuter Rail	19,772	19,870
Albion Ferry	4,511	4,906
AirCare	22,545	20,316
Interest on debt	50,218	47,467
Amortization of capital assets	62,393	62,314
Amortization of deferred charges	3,801	2,717
	646,185	601,091
Excess of revenue over expenses before other items	24,552	35,051
Other items:		
Gain (loss) on disposal of capital assets	(251)	224
Non-controlling interest in loss (income) of Transportation Property and Casualty Company Inc.	28	(79)
	(223)	145
Excess of revenue over expenses	$ 24,329	$ 35,196

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS *of* NET ASSETS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(in thousands of dollars)

	General	Unfunded amortization in excess of debt servicing *(note 12(d))*	Unfunded employee future benefits *(note 12(e))*	Total unrestricted	Investment in capital assets and deferred charges *(note 12(a))*	Internally restricted for Major Road Network *(note 12(f))*	Externally restricted from Aircare operation *(note 12(g))*	Total 2003	Total 2002
Balance, beginning of year	$ 9,786	$ (12,548)	$ (18,297)	$ (21,059)	$ 58,668	$ 3,750	$ 7,115	$ 48,474	$ 13,278
Excess of revenue over expenses	87,563	2,550	(2,559)	87,554	(63,240)	-	15	24,329	35,196
Net change in investment in capital assets	(39,867)	-	-	(39,867)	39,867	-	-	-	-
Internal transfer	(7,950)	-	-	(7,950)	-	7,950	-	-	-
Balance, end of year	$ 49,532	$ (9,998)	$ (20,856)	$ 18,678	$ 35,295	$ 11,700	$ 7,130	$ 72,803	$ 48,474

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS *of* CASH FLOWS

YEARS ENDED DECEMBER 31 *(in thousands of dollars)*	2003	2002
Cash provided by (used for):		
Operations:		
Excess of revenue over expenses	$ 24,329	$ 35,196
Items not involving cash:		
Amortization of capital assets	62,393	62,314
Amortization of capital assets charged to deferred charges	128	-
Amortization of deferred charges	3,801	2,717
Amortization of bond discount	940	856
Amortization of deferred capital contributions	(2,954)	(2,954)
Loss (gain) on disposal of capital assets	251	(224)
Non-controlling interest in income (loss) of Transportation Property and Casualty Company Inc.	(28)	79
Changes in non-cash operating working capital:		
Increase in due from Greater Vancouver Regional District	(33,824)	(54,692)
Decrease (increase) in accounts receivable	527	(2,969)
Decrease (increase) in supplies inventory	623	(938)
Decrease (increase) in prepaid expenses	351	(1,891)
Increase (decrease) in accounts payable and accrued liabilities	(6,475)	9,012
Increase in employee future benefits	2,559	1,711
	52,621	48,217
Investing:		
Increase in marketable securities	(10,707)	(6,667)
Decrease (increase) in long-term investments	(4,229)	1,859
Increase in debt reserve deposits	(1,719)	(3,368)
Proceeds from disposal of capital assets	629	389
Additions to deferred charges	(25,067)	(17,179)
Purchase of capital assets	(50,169)	(117,747)
	(91,262)	(142,713)
Financing:		
Principal payments on capital leases	(14,477)	(12,976)
Bonds issued	110,000	170,000
Issue costs on bonds issued	(825)	(1,275)
Bonds matured	(53,414)	(47,678)
Increase in deferred capital contributions	8,307	-
Increase in debt sinking funds	(14,451)	(13,910)
	35,140	94,161
Decrease in cash	(3,501)	(335)
Cash, beginning of year	5,576	5,911
Cash, end of year	$ 2,075	$ 5,576
Supplementary information:		
Interest paid	*$ 59,113*	*$ 57,521*

See accompanying notes to consolidated financial statements.

YEARS ENDED DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

1. Operations:

The Greater Vancouver Transportation Authority (the "Authority") was established in June 1998 as a not-for-profit organization under the Greater Vancouver Transportation Authority Act (the "Act"), to provide for the planning, funding, management and operation of an integrated regional transportation system for the Greater Vancouver Regional District ("GVRD"), effective April 1, 1999.

To achieve this, all transportation operations, assets and liabilities in the Greater Vancouver area, formerly owned and operated by BC Transit, except those specified in Section 38 (8)(a) of the Act, (most notably the SkyTrain Expo Line guideway and West Coast Express infrastructures) together with the shares of British Columbia Rapid Transit Company Ltd. ("BCRTC") and West Coast Express Limited ("WCE"), were transferred from the Province of British Columbia (the "Province") to the Authority. Also assumed by the Authority during 1999 was a 90 per cent interest in Transportation Property and Casualty Company Inc. ("TPCC") (formerly BC Transit Captive Insurance Company Inc.), operations of the Albion Ferry, and administration of the AirCare program and during 2003 was a 100 per cent interest in RAV Project Management Ltd. ("RAVCo").

2. Significant accounting policies:

(a) Basis of presentation:

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

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

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

All subsidiaries are wholly-owned except for TPCC, in which the Authority has a 90% interest.
All intercompany balances and transactions have been eliminated upon consolidation.

(b) Marketable securities:

Marketable securities are stated at the lower of cost and market value.

(c) Supplies inventory:

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

(d) Long-term investments:

Long-term investments, consisting of Canadian bonds, are recorded at cost, with any premium or discount on purchase being amortized over the term to maturity of each investment. Declines in value of investments are recognized only when the decline is considered to be other than temporary.

(tabular amounts in thousands of dollars)

2. Significant accounting policies *(continued)*:

(e) Capital assets:

Capital assets have been recorded as follows:

(i) Capital assets are recorded at cost, including capitalized interest as described in note 2(f).

(ii) Capital assets, contributed by the Province and BC Transit to the Authority upon inception, were recorded at fair value at the date of contribution.

(iii) Amortization is provided on a straight-line basis over a period not exceeding their estimated useful lives as follows:

Asset	Years
Land improvements	30
Buildings	30
Revenue vehicles	5 - 20
Revenue vehicles under capital leases	20
Equipment	3 - 20
SkyTrain and WCE vehicles	30
SkyTrain vehicles and equipment under capital leases	30
SkyTrain system upgrade	30
AirCare equipment	6

(f) Capitalization of interest:

Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest capitalized during the year ended December 31, 2003 amounted to $1,504,000 (2002 - $877,000).

(g) Deferred charges:

Deferred charges consist of pre-operating costs which include costs incurred during the design stage but before construction. These costs are deferred until the related assets are ready for revenue service, at which time the costs will be charged to operations.

Expenditures incurred by the Authority that are expected to benefit more than one period are also deferred and amortized on a straight-line basis over a period not exceeding the useful lives of the assets or lease term as follows:

Expenditures	Years
Major Road Network	10-20
SkyTrain start up costs	3
Transaction costs on capital leases	10-20
Development costs on system software	5

(h) Due to (from) GVRD:

The GVRD manages the marketable securities and borrowings on behalf of the Authority and other GVRD related entities. In order to improve cash management, the general practice is to accumulate marketable securities in a pooled account held by GVRD. The investments consist of highly liquid money market instruments.

(i) Amortization of bond discounts:

Bond discounts are amortized on a straight-line basis over the term to maturity of the related debt.

(j) Employee future benefits:

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

(tabular amounts in thousands of dollars)

2. Significant accounting policies *(continued)*:

Post-retirement and post-employment benefits are also available to the majority of the Authority's employees. The cost of post-retirement benefits are actuarially determined prorated on service and management's best estimate of retirement ages and expected health care costs. The cost of post-employment benefits to disabled employees is actuarially determined based on future projected benefits of currently disabled employees. The obligation under these post-retirement and post-employment benefit plans are accrued as the employees render services necessary to earn the future benefits.

(k) Revenue recognition:

All sources of revenue are recognized on the accrual basis.

The Authority follows the deferral method of accounting for contributions. Contributions from third parties for defined purposes are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(l) Income and capital taxes:

The Authority is exempt from Canadian federal and British Columbia provincial income and capital taxes.

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of capital assets, allowance for doubtful accounts receivable, obsolete inventory and determination of employee future benefits. Actual results could differ from those estimates.

3. Debt reserve deposits:

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

4. Debt sinking funds:

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

5. Deferred charges:

	Cost	Accumulated amortization	2003 Net	2002 Net
Major Road Network	$ 35,657	$ 2,839	$ 32,818	$ 20,161
SkyTrain start-up costs	6,351	3,924	2,427	3,700
Transaction costs on capital leases	601	508	93	119
Development costs on system software	1,020	33	987	53
RAVCo pre-operating costs	8,974	-	8,974	-
	$ 52,603	$ 7,304	$ 45,299	$ 24,033

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

6. Capital assets:

	Cost	Accumulated amortization	2003 Net	2002 Net
Land	$ 63,273	$ -	$ 63,273	$ 63,273
Land improvements	17,866	3,230	14,636	12,975
Buildings	88,282	21,890	66,392	70,703
Revenue vehicles	327,289	102,361	224,928	237,810
Revenue vehicles under capital leases	13,848	7,810	6,038	7,683
Equipment	128,571	40,940	87,631	65,510
SkyTrain vehicles	157,231	20,581	136,650	140,155
SkyTrain vehicles and equipment under capital leases	101,435	40,097	61,338	69,781
SkyTrain system upgrade	97,214	7,505	89,709	88,191
WCE vehicles	23,329	2,490	20,839	21,616
AirCare equipment	20,115	10,894	9,221	12,225
Capital projects in progress	49,477	-	49,477	53,442
	$ 1,087,930	$ 257,798	$ 830,132	$ 843,364

7. Related party transactions:

As at December 31, 2003, the Authority has recorded an amount receivable from GVRD for $38,578,000 (2002 - $4,754,000). The amount due from GVRD earns interest at the weighted average interest rate of the pooled investment account as described in note 2(h).

8. Long-term debt:

	2003	2002
Sinking fund bonds, weighted average interest rate of 6.04 per cent, maturing at various dates from 2005 to 2023, amortized from 10 to 20 years	$ 720,865	$ 610,864
Sinking fund bond, bankers' acceptance rate minus 12 basis points, maturing 2003, amortized over 20 years	-	34,283
Sinking fund bonds, under interest rate and currency conversion agreements, effective weighted average interest rate of 6.45 per cent, maturing at various dates from 2007 to 2010, amortized over 20 years	176,524	195,655
	897,389	840,802
Less unamortized bond discount	6,927	7,042
	890,462	833,760
Less current portion	33,552	30,135
	$ 856,910	$ 803,625

(tabular amounts in thousands of dollars)

8. Long-term debt *(continued)*:

Sinking fund payments due in each of the next five years are approximately as follows:

2004	$ 33,552
2005	33,552
2006	33,089
2007	31,455
2008	29,943

9. Obligations under capital leases:

The obligations under capital leases, which mature at various dates from the year 2004 to 2007, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates are currently fixed until maturity and range from 4.61 per cent to 11.25 per cent.

All obligations under capital leases are guaranteed by the Province.

Future minimum lease payments, together with the balance of the obligations under capital leases at December 31, 2003, are approximately as follows:

2004	$ 21,243
2005	24,372
2006	8,143
2007	12,081
	65,839
Less payments representing implicit interest	9,802
Present value of minimum capital lease payments	56,037
Current portion	16,791
	$ 39,246

10. Pension Plans:

The Authority, CMBC, PVTT and FRMT and their employees contribute to the Public Service Pension Plan (the "Plan"), which is a multi-employer defined benefit plan, together with other public service employers, in accordance with the Pension (Public Service) Act. The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the Act applies. Details of the Plan are provided in the Public Accounts of British Columbia. The long-term funding of the Plan is based on the level contribution method. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability (UAL) for funding purposes, if any, as a constant percentage of employer payroll. The actuary does not attribute portions of the UAL to individual employers. Contributions to the Plan are expensed in the year when payments are made. The total expense recorded in the financial statements in respect of pension contributions amounts to $13,741,000 (2002 - $13,095,000).

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest full actuarial valuation, which was carried out as at March 31, 2002, resulted in an actuarial valuation surplus of $546,000,000.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

10. Pension Plans *(continued)*:

The employees of WCE and BCRTC are members of defined contribution plans administered by Great West Life, Sun Life and Canada Life. The total expense recorded in the financial statements in respect of pension contributions under these plans amounts to $2,401,000 (2002 - $2,015,000).

11. Employee future benefits:

Apart from the post-retirement benefits provided by the Plan, the Authority and CMBC continue to provide life insurance benefits to all retired employees. BCRTC also sponsors a post-retirement benefit (non-pension) plan providing continuing healthcare benefits to retired employees. The total expense recorded in the financial statements, in respect of obligations under these plans, amounts to $1,717,100 (2002 - $1,505,000).

The Authority and its subsidiaries also provide Provincial health care, extended health, dental care and life insurance benefits to employees on long-term disability from the date they become disabled (post-employment benefits). The total expense recorded in the financial statements for the year, in respect of obligations under these plans, amounts to $3,303,000 (2002 - $2,519,000).

Information regarding the Authority's post-retirement and post-employment plans is as follows:

	Post-retirement benefits	Post-employment benefits	2003 Total	2002 Total
Accrued benefit obligation:				
Balance, beginning of year	$ 11,670	$ 9,826	$ 21,496	$ 17,628
Current service cost	923	2,516	3,439	2,768
Interest cost	751	563	1,314	1,069
Benefits paid	(218)	(2,244)	(2,462)	(2,323)
Actuarial loss	3,913	102	4,015	2,354
Benefit obligation, end of year	17,039	10,763	27,802	21,496
Unamortized net actuarial loss	4,976	1,970	6,946	3,199
Accrued benefit liability	$ 12,063	$ 8,793	$ 20,856	$ 18,297

The employer contributions are equal to the benefits paid during the year.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligation are as follows:

	2003	2002
Discount rates	5.0% - 6.5%	5.0% - 6.5%
Increase in future health costs	3.5% - 10.0%	4.0% - 10.0%

Health care costs include medical and dental care costs and are assumed to increase at 3.5 per cent - 10 per cent per annum. The increase is due to increased costs of prescriptions and services, increase in number of claims, decrease in provincial funding and increase in provincial MSP premiums.

The obligation is not presently funded. It has been transferred to the internally restricted surplus account and will be funded from future operations (see note 12(e)).

(tabular amounts in thousands of dollars)

12. Net assets:

(a) *Investment in capital assets is calculated as follows:*

	2003	2002
Capital assets	$ 830,132	$ 843,364
Deferred charges	45,299	24,033
Amounts financed by:		
Deferred capital contributions	(70,110)	(64,758)
Long-term debt	(890,462)	(833,760)
Obligations under capital leases	(56,037)	(70,514)
Debt reserve deposits	21,068	19,349
Debt sinking funds	155,405	140,954
	$ 35,295	$ 58,668

(b) *Deficiency of revenue over expenses:*

	2003	2002
Amortization of deferred capital contributions	$ 2,954	$ 2,954
Amortization of capital assets	(62,393)	(62,314)
Amortization of deferred charges	(3,801)	(2,717)
	$ (63,240)	$ (62,077)

(c) *Net change in investment in capital assets:*

	2003	2002
Purchase of capital assets	$ 50,169	$ 117,747
Additions to deferred charges	25,067	17,179
Amortization of capital asset charged to deferred charges	(128)	-
Amounts funded by deferred capital contributions	(8,307)	-
Amounts funded by long-term debt	(56,701)	(121,903)
Principal payments on capital leases	14,477	12,976
Proceeds from disposal of capital assets	(629)	(389)
Gain (loss) on disposal of capital assets	(251)	224
Increase in debt reserve deposits	1,719	3,368
Increase in debt sinking funds	14,451	13,910
	$ 39,867	$ 43,112

(d) *Unfunded amortization in excess of debt servicing:*

Amortization in excess of debt servicing will be financed from future operations and represents the excess of amortization charged to operations in the current period for accounting purposes over the Authority's funding requirements for debt servicing. The excess amortization charges will be recovered in future periods as funding received exceeds annual amortization.

(e) *Unfunded employee future benefits:*

The employee future benefits to be funded from future operations represent the excess of benefits charged to operations in the current and prior periods for accounting purposes over the actual cash expenditures paid. The excess benefits will be recovered in future periods as payments are made.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

12. Net assets *(continued)*:

(f) *Internally restricted for Major Road Network:*

A special reserve has been created to provide for future debt service costs on the capital that has been committed towards the major road capital program.

(g) *Externally restricted from AirCare operation:*

AirCare is a self-funded program under Section 50 of the Motor Vehicle Act whereby earnings from current operations have been restricted to be used to offset any deficits.

13. Commitments and contingencies:

(a) *Operating lease payments - WCE:*

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

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

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

2004	$ 16,645
2005	15,607
2006	11,744
2007	12,213
2008	12,869
2009 and thereafter	117,414

(b) *Operating lease payments - GVTA (for Coast Mountain Bus Company):*

During the period from June 30, 1998 to July 30, 1998, BC Transit entered into 15 lease agreements with Westcoast Capital Corporation for the use of Compressed Natural Gas (CNG) Buses for a total cost of $60,387 per month. All lease agreements are effective for a term of 120 months. These leases were transferred to the GVTA effective March 31, 1999.

The future minimum annual operating lease payments are as follows:

2004	$ 725
2005	725
2006	725
2007	725
2008	419

(c) *Vehicle emission testing contract - PVTT:*

PVTT has entered into a seven-year contract with Envirotest Ltd. to provide vehicle emission testing services until August 2006. The future minimum annual payments are:

2004	$ 20,879
2005	21,296
2006	14,385

(tabular amounts in thousands of dollars)

13. Commitments and contingencies *(continued)*:

(d) *Other operating leases:*

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

2004	$ 5,858
2005	5,962
2006	6,016
2007	6,080
2008	5,922

(e) *Major road maintenance:*

The Authority has a three-year agreement with the Ministry of Transportation (MOT) whereby MOT will contract out maintenance and rehabilitation of devolved provincial roads in the Greater Vancouver area, on behalf of the Authority. The cost to the Authority for the first contract year was $3,800,000 with a maximum increase of 2 per cent for the subsequent two years. This agreement expires March 14, 2004 and negotiation for renewal is still in progress as at December 31, 2003.

(f) *Diesel fuel purchase:*

CMBC has entered into a fixed price fuel purchase contract for the two-year period ending January 31, 2004. Effective February 1, 2004, the Company entered into a floating price purchase contract for a three-year period. The approximate payments relating to the minimum purchase volume, for the remaining terms of the contract, are as follows:

2004	$ 21,072
2005	21,241
2006	21,241
2007	1,770

(g) *Richmond/ Airport/ Vancouver rapid transit project ("RAV project"):*

The RAV Project is to be partially funded by the Authority, the Government of Canada, The Province and the Vancouver International Airport Authority ("Airport Authority"). RAVCo intends to select, through a competitive process, a private sector partner to participate in the design, financing and construction of the Line and subsequently in its operation and maintenance. The private sector partner is to be selected by November 2004. The construction of the RAV Line is expected to take place between March 2005 and March 2009. The testing and commissioning are expected to take place from January 2009 to November 2009 with operations commencing November 2009.

In 2003, RAVCo received $6,300,000 from the Government of Canada and $1,000,000 each from the Authority, the Province and the Airport Authority. As at December 31, 2003, there is a funding agreement in place with the Government of Canada for an additional contribution of $3,600,000 to be paid by March 31, 2004.

There are also letters of understanding between RAVCo and the Authority, the Province and the Airport Authority for contributions of $1,000,000 each that will be paid during fiscal 2004. Funding agreements with these agencies, for the construction of the RAV Line, are still being negotiated as at December 31, 2003.

(h) *Loan guarantee for Jack Bell Foundation:*

The Authority has guaranteed a $1,000,000 loan from Vancouver City Savings & Credit Union and a $250,000 loan from HSBC for the Jack Bell Foundation to purchase vehicles for the car and vanpool fleet. At December 31, 2003, the outstanding loan balance guaranteed by the Authority is $275,000 and $74,000, respectively.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

13. Commitments and contingencies *(continued)*:

(i) *Capital commitments:*
At December 31, 2003, $11,066,000 has been committed for capital projects in progress (2002 - $19,552,000).

(j) *Lawsuits:*
As at December 31, 2003, there are a number of lawsuits pending against the Authority arising in the ordinary course of business. Management is of the opinion that any claims against the Authority, which are not recoverable from the Authority's insurance, are not likely to be material and therefore, no provision has been made in the financial statements for any such liability.

14. Financial Instruments:

The Authority's financial instruments include cash, investments, accounts receivable and payable, debt reserve and sinking fund deposits, long-term debt and obligations under capital leases. It is management's opinion that the Authority is not exposed to any significant credit or interest rate risk as a result of these financial instruments. Interest rates have been fixed for all long-term debt and capital leases. The Authority's operations are all based in Canada and exposure to foreign exchange fluctuations is not significant.

15. Comparative figures:

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

16. Subsequent events:

(a) On January 21, 2004, the Authority signed a contract with New Flyer Industries of Winnipeg and Kiepe Elektrik of Germany to purchase 188 standard 40-foot trolleys and 40 articulated 60-foot trolleys. The value of the contract is $119,000,000 Canadian and $69,600,000 Euro. The Authority has paid 10 per cent of the contract amount upon signing of the contract. Deliveries and subsequent payments will begin in late 2005 and are expected to complete in 2007.

(b) A wholly-owned subsidiary, Fraser Bridge Project Ltd., was incorporated under the Company Act of British Columbia on February 13, 2004, to undertake the design, financing, construction, operation and maintenance of the new Fraser River Crossing.

OUR VISION

We see a transportation future where people and goods move in a way that promotes a healthy economy, environment and quality of life for generations to come.

OUR MISSION

We plan, finance, implement, and champion an integrated transportation system that moves people and goods safely and efficiently, supporting Greater Vancouver's regional growth strategy, air quality objectives and economic development.

OUR VALUES

We believe that the only way we can achieve our transportation vision is by applying these core values to everything we do.

Safety

We will plan and deliver a transportation system that promotes the health, safety and security of employees and the public.

Fiscal Responsibility

We will invest the public's transportation dollars wisely to ensure that the system is sustainable in the long-term and we will make every effort to attract financial partners.

Accountability

We will account for our achievements, shortcomings and challenges, to our employees, partners, stakeholders and the public.

Communication and Consultation

We will listen to and actively seek the ideas of employees, partners, stakeholders and the public. We will provide clear and concise information in a timely manner.

Customer Service

We will understand our customers and increase their satisfaction with the services they receive.

Integrity

We will conduct ourselves ethically, respectfully and honestly as stewards of the region's transportation system.

Teamwork and Partnerships

We will work together as partners to achieve a sustainable transportation network that meets the current and future needs of the region.

1600 - 4720 Kingsway

Burnaby, BC V5H 4N2

Canada

Tel: 604-453-4500

Fax: 604-453-4642

www.translink.bc.ca

TRANS LINK
Greater Vancouver
Transportation Authority