COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

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Table of Contents

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Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which include policies and procedures) to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by the Board of Directors to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.

Jane Bird	David de Git, CMA
President and Chief Executive Officer	Director, Finance

May 18, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Columbia Power Corporation, and
To the Minister of Energy and Mines, Province of British Columbia

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Columbia Power Corporation ("the entity") and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation and its subsidiaries as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 18, 2011

John Doyle, MAcc, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

		2011		2010
ASSETS				
Current assets				
Cash and temporary investments (Note 4)	$	26,909	$	44,008
Accounts receivable and unbilled revenue (Note 5)		9,904		8,446
Prepaid expenses and deposits		1,972		2,251
Due from joint venture partner (Note 9)		11,087		16,252
		49,872		70,957
Capital assets (Note 6)		337,868		343,660
Intangibles				
Expansion rights (Note 7)		12,052		25,082
Power sales right (Note 8)		4,066		5,028
		16,118		30,110
Other assets				
Deferred bond issue costs (Note 13)		396		-
Deferred costs (Note 10)		-		19,084
Promissory note receivable (Note 11)		24,795		-
Investment in Waneta Expansion Limited Partnership		35,125		-
Restricted cash (Note 4)		6,767		6,559
		67,083		25,643
	$	470,941	$	470,370

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Lillian White

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

		2011		2010
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	2,476	$	2,304
Interest payable on long term bonds		2,309		2,467
Current portion of long term bonds (Note 12)		25,286		6,781
Due to related parties (Note 22)		604		165
Deferred revenue		609		471
		31,284		12,188
Long term bonds (Note 12)				
Project bonds		67,893		93,179
Financing costs		(1,720)		(2,017)
		66,173		91,162
Equity				
Share capital (Note 14)				
Contributed surplus (Note 15)		276,065		276,065
Retained earnings		97,419		90,955
		373,484		367,020
	$	470,941	$	470,370

Commitments (Note 17)
Contingencies (Note 18)

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31
(in thousands)

		2011		2010
REVENUES				
Sale of power	$	48,771	$	45,984
EcoEnergy grant		2,230		2,110
Transmission facility revenue		1,645		1,565
Interest		499		264
Management fee		1,146		1,643
Other		733		-
		55,024		51,566
EXPENSES				
Water rentals		6,154		5,545
Amortization of capital assets in service		8,409		8,287
Amortization of rights		1,293		1,280
Property tax		1,082		1,074
Operations and maintenance		3,190		2,531
Administration and management		4,268		4,208
Insurance		596		603
Community sponsorship		82		82
Grants-in-Lieu (Note 19)		407		461
US$ exchange loss		25		174
Expensed development costs (Note 10)		13,994		37
		39,500		24,282
INCOME FROM OPERATIONS		15,524		27,284
FINANCE CHARGES				
Interest expense		6,762		7,177
Financing expense		298		321
		7,060		7,498
NET INCOME	$	8,464	$	19,786

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31
(in thousands)

			2011		2010
RETAINED EARNINGS - beginning of year		$	90,955	$	71,169
Add:	Net income		8,464		19,786
Deduct:	Dividends		(2,000)		-
RETAINED EARNINGS - end of year		$	97,419	$	90,955

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31
(in thousands)

	2011	2010
OPERATING ACTIVITIES:		
Net income for the year	$ 8,464	$ 19,786
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	8,409	8,287
Amortization of rights	1,293	1,280
Amortization of financing costs	297	322
Development costs expensed	13,994	-
Net change in non-cash working capital balances (Note 20)	(1,183)	(276)
	31,274	29,399
FINANCING ACTIVITIES:		
Deferred bond issue costs	(396)	-
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	(6,781)	(6,387)
	(9,177)	(8,387)
INVESTING ACTIVITIES:		
Advance to joint venture partner	-	(984)
Deferred costs	(1,245)	(4,302)
Investment in Limited Partnership	(35,125)	-
Additions to Brilliant power facility and terminal station	(1,722)	(1,434)
Additions to ALGS power facility	(258)	(165)
Additions to Brilliant Expansion	(287)	(568)
Purchase of furniture, equipment and vehicles	(351)	(431)
	(38,988)	(7,884)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(16,891)	13,128
CASH AND EQUIVALENTS - beginning of year	50,567	37,439
CASH AND EQUIVALENTS - end of year	$ 33,676	$ 50,567
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	6,767	6,559
Cash and temporary investments available for operations	26,909	44,008
	$ 33,676	$ 50,567
Supplemental disclosure of cash flow information		
Interest paid	$ 6,920	$ 7,314

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

1. Columbia Power Corporation

(a) Structure and Financing

Columbia Power Corporation (CPC) is wholly owned by the Province of British Columbia (the Province). As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust), also wholly owned by the Province.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of their members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their Management Committees and annual capital and operating budgets approved by the committees. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

(b) Power Project Planning

In 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of CBT Energy Inc. (CBT Energy), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The Agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is transferred to a separate joint venture.

Prior to October 2010, PPPJV held beneficial interest to assets related to the Waneta Expansion project, although legal title was held by Waneta Expansion Power Corporation (WEPC) also a jointly owned corporation, on a 50/50 basis by CPC and an indirect subsidiary of the Trust. WEPC does not prepare financial statements. CPC continues to hold an interest in the assets related to the Waneta Expansion project through a promissory note due to WEPC for $72 million due 5 years after the commencement of commercial operations of the Waneta Expansion project.

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power. The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

(d) Arrow Lakes Generating Station

Arrow Lakes Power Corporation (ALPC) is jointly owned, on a 50/50 basis, by CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes), a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the 185 megawatt (MW) Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48 kilometre transmission line from the powerplant to BC Hydro's Selkirk substation.

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation, a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW power generation development adjacent to the Brilliant Dam at Castlegar, British Columbia.

(f) CPC Waneta Holdings Ltd.

CPC Waneta Holdings Ltd. (CPC Waneta) is solely owned by CPC. Its purpose is to be party to the investment in the Waneta Expansion Limited Partnership through the Amended and Restated Waneta Expansion Limited Partnership Agreement and the Waneta Expansion General Partner Shareholder Agreement.

(g) Significant Agreements

(i) Entitlement Agreements

Under Entitlement Agreements, British Columbia Hydro and Power Authority (BC Hydro), a Crown Corporation of the Province, coordinates the operations of the Brilliant power facility, the Brilliant Expansion and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides BPC, BEPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement

Under the Brilliant Power Purchase Agreement, FortisBC Inc. (FortisBC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by FortisBC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with FortisBC, there will be an annual market-related price test.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(g)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

(iv) Powerex Backstop Agreement

This agreement provides for Powerex Ltd. (Powerex), (a subsidiary of BC Hydro) to purchase the Brilliant entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines, if BPC terminates the Brilliant Power Purchase Agreement by reason of default by FortisBC.

(v) Management and Services Agreements

BPC

FortisBC operates and manages the Brilliant Power Facility on behalf of BPC. The management fee and other amounts payable under the Agreement form part of the operation and maintenance cost component described under Note 1(g)(ii).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from BPC and FortisBC who must unanimously approve all expenditures. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under a Management Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and manages ALGS on behalf of ALPC.

BEPC

Under a Services Agreement, Fortis Pacific operates and maintains the Brilliant Expansion on behalf of BEPC.

(vi) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. The Final Acceptance Date for the Brilliant Expansion is pending the satisfactory resolution of all project deficiencies.

(vii) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average megawatts to BC Hydro during the period January 2003 to December 2014. ALPC uses the Arrow Lakes entitlement to meet its obligations under the contract.

(viii) Green Power Generation Electricity Purchase Agreement (GPG EPA)

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting with commercial operation of the Brilliant Expansion.

(ix) Electricity Purchase Agreement 2006 (EPA 2006)

In 2006, BEPC entered into the EPA 2006 with BC Hydro obtaining the right and obligation to provide 25.75 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting not later than February 1, 2010. Power sales under the agreement commenced in August 2009.

(x) Confirmation of Sale of Unit Commitment Service (Confirm)

Upon commencement of commercial operation of the Brilliant Expansion under the Confirm, regulated upgrade energy is sold from Brilliant Power Corporation to Brilliant Expansion Power Corporation, on a market basis.

(xi) Electricity Purchase Agreement 2010

In October 2010, a new agreement was signed with BC Hydro to continue to provide 100% of the entitlement of ALGS to BC Hydro for the period January 2016 to December 2045. This agreement also extends the 1998 agreement to December 2015.

(xii) Partnership Agreements

The General Partner Shareholder Agreement between Fortis Inc., CPC Waneta, CBT Waneta Expansion Power Corp. and Waneta Expansion General Partner Ltd. (WEGP) sets out certain rights and obligations in respect of the conduct of WEGP including representation on WEGP's Board of Directors.

Waneta Expansion Amended and Restated Limited Partnership Agreement (Limited Partnership Agreement) between Fortis Inc., CPC Waneta, CBT Waneta Expansion Power Corp. and WEGP sets out that the business and purpose of the Partnership will be to own, develop, design, construct, operate and maintain the Waneta Expansion Project and to do all things necessary to accomplish this purpose. The agreement sets out the ownership structure whereby the partnership has issued to Fortis Inc. 510 units, to CPC Waneta 325 units and to CBT Waneta Expansion Power Corp. 165 units.

(xiii) CPC Services Agreement

The CPC Services Agreement between CPC and the Waneta Expansion Limited Partnership (WELP) sets out the services performed by CPC for WELP in the management of the Waneta Expansion project and establishes the process for how CPC will be reimbursed for costs incurred in the provision of the services.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated Financial Statements

These consolidated financial statements and notes include CPC's operations and interests in CPC Waneta, and its joint ventures PPPJV, BPC, BEPC and ALPC. Given that CPC is the sole shareholder of CPC Waneta, CPC Waneta is fully consolidated in CPC's financial statements. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC, CPC Waneta, and the joint ventures have been eliminated.

(b) Temporary Investments

Temporary investments are recorded at market value.

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service. The corporation includes, as part of the costs of its capital assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives of capital assets, in years, are:

Power facility	40 - 80
Terminal station	30 - 60

The estimates for asset life-spans are consistent with industry norms.

(ii) Arrow Lakes Generating Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives, in years, are:

Field and office equipment	5
Power facility	40 - 80
Transmission	30 - 50

The estimates for asset life-spans are consistent with industry norms.

(iii) Brilliant Expansion

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives of capital assets, in years, are:

Power facility	40 - 80

The estimates for asset life-spans are consistent with industry norms.

(iv) CPC Offices and Equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over term of lease
Vehicles	-	straight line over 8 years

(d) Deferral of Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and construction expenditures are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed. When a project's costs exceed those likely to be recovered, the excess is expensed.

(e) Financing Costs

Expenditures incurred in issuing the Series A, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are recorded with the Bonds and amortized using the effective interest method.

(f) EcoEnergy Grants

The ecoEnergy for Renewable Power is a program operated by the Government of Canada to invest in Canada's supply of clean energy. The ecoEnergy Program provides Brilliant Expansion Power Corporation a grant of $10.00 per megawatthour of eligible production. The ecoEnergy grant earned through eligible production in 2009/10 and 2010/11 is recorded as revenue.

(g) Revenue Recognition

FortisBC is the purchaser of all power received under the Brilliant Entitlement, except for the regulated upgrades, and has the right to the shared use of the Brilliant terminal station. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(g)(ii)) and FIIA (Note 1(g)(iii)). Regulated upgrade revenues, revenues from the Brilliant Expansion and ALGS revenues are recognized when entitlements are delivered. Deferred revenue arises in BPC when prepaid expenses cannot be recognized as revenue under the Brilliant Power Purchase Agreement until expensed.

(h) Financial instruments

Canadian generally accepted accounting principles require financial instruments be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available for sale or other financial liabilities. CPC designated its financial instruments as follows:

Cash and temporary investments include deposits in banks and short-term money market instruments. They are classified as held-for-trading and measured at fair value and all gains and losses are included in the Statement of Income in the period in which they occur. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. CPC invests funds with the British Columbia Investment Management Corporation and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and project bonds are classified as other financial liabilities and are also measured at amortized cost.

CPC's financial instruments and their carrying values compared to their fair values are as follows:

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term maturity of these instruments.

Since CPC has classified Long term bonds as "Other Financial Liabilities", CPC has measured these at amortized cost using the effective interest method as required under CICA Handbook Section 3855.

(i) Asset Retirement Obligations

Canadian generally accepted accounting principles require CPC to determine the fair value of the future expenditures required to settle legal obligations to remove capital assets on retirement. If a reasonable estimate can be determined, a liability is recognized equal to the present value of the estimated future removal costs, and an equivalent amount is capitalized as an inherent cost of the associated capital asset.

Some of CPC's assets may have asset retirement obligations. As CPC expects to use the majority of its assets for an indefinite period, no removal date can be determined and, consequently, an estimate of the fair value of any asset retirement obligation has not been made at this time.

(j) Taxes

CPC is exempt from corporate income taxes.

(k) Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of net income.

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Items requiring the use of significant estimates include the amortization of capital assets and rights, and the valuation of the promissory note. Actual results could differ from these estimates.

(m) International Financial Reporting Standards (IFRS)

The Budget Transparency and Accountability Act specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to International Financial Reporting Standards (IFRS). Treasury Board has directed CPC to adopt IFRS.

CPC is adopting IFRS effective April 1, 2011. CPC will implement the required accounting policy changes under IFRS and CPC's financial statements for the year ended March 31, 2012 (with comparative financial results for 2011) will be prepared in accordance with IFRS.

3. Risk Management and Financial Instruments

CPC is exposed to a number of financial risks in the normal course of its operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rate risks, as well as credit risks and liquidity risks. The nature of the risks and CPC's strategy for managing these risks has not changed significantly from the prior period.

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under section 3862 of the CICA Handbook.

During 2009, section 3862 was amended to require disclosures about the inputs to fair value measurements, including classification within a hierarchy that prioritizes inputs to fair value measurement. The three levels of the fair value hierarchy are:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).
CPC considers its fair valued assets, cash and temporary investments, to meet the Level 1 criteria.

(a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CPC does not consider itself to be significantly exposed to credit risk since its power sales are mainly to BC Hydro and Powerex, both Provincial Crown Corporations. Other power sales are with FortisBC, a regulated utility. CPC's loan receivable is due from BEPC, a related company jointly owned with CBT, also a Provincial Crown Corporation. The promissory note receivable also does not expose CPC to credit risk given that it is due from WELP, with its shareholders (CPC, CBT, and FortisBC) responsible for the repayment equal to their proportionate share.

(b) Liquidity risk

Liquidity risk refers to the risk that CPC will encounter difficulty in meeting obligations associated with financial liabilities. CPC regularly monitors its cash flows and balances and maintains a cash surplus which can be utilized by the joint ventures of CPC/CBT for short–term financing. CPC does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

(c) Market Risks

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: exchange rate risk, interest rate risk and price risk. CPC does not use derivative products to manage these risks.

i) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CPC realizes most revenues and all significant expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices in US dollars. Consolidated revenue from these short-term market sales equaled $1.3 million for 2010/11 (2009/10 - $2.2 million) and is included in the “Sale of power” line item in the Consolidated Statement of Income. A one cent change in the Canadian dollar relative to the US dollar represents an impact of approximately $6,000 in revenue.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CPC’s debt is at a fixed interest rate and is therefore not exposed to interest rate risk.

iii) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The majority of CPC’s power sales agreements are at long-term fixed rates and are therefore not exposed to price risk. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices and are therefore subject to price risk. Consolidated revenue from these short-term market sales equaled $1.3 million for 2010/11 (2009/10 - $2.2 million) and is included in the “Sale of power” line item in the Consolidated Statement of Income. A one dollar per megawatt-hour change in the short-term market price of power represents approximately $40,000 in revenue.

4. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under agreements with the Project Bondholders.

Under its agreements with Bondholders, BPC has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A, B and C Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

BEPC cash includes a US dollar account and a letter of credit account. The US dollar account is for collection of US dollar sales to Powerex. The letter of credit account secures letters of credit issued to BC Hydro for development security under the GPG EPA and 2006 EPA (notes 1(g)(viii) and 1(g)(ix)).

($ in thousands)	2011	2010
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,931	$ 3,926
Operating reserve account		
Canadian dollar bank account	1,361	1,348
Letter of credit		
Canadian dollar bank accounts	1,475	1,285
	6,767	6,559
Available for operations		
Canadian dollar money market fund	7,315	39,920
Canadian dollar bank accounts	18,881	4,082
US dollar bank accounts	803	6
	26,909	44,008
	$33,676	$50,567

5. Accounts receivable and unbilled revenue

($ in thousands)	2011	2010
Accounts receivable	$ 4,926	$ 3,249
Unbilled revenue	4,978	5,196
	$ 9,904	$ 8,445

Accounts receivable consists of CPC's share of the sale of power revenue receivable in Arrow Lakes Power Corporation and Brilliant Expansion Power Corporation, ecoENERGY grant receivable in Brilliant Expansion Power Corporation, Management fees receivable and recovery of operating expenses from the Trust's share of the joint ventures.

Unbilled revenue consists of CPC's share of earned revenue in Brilliant Power Corporation that has not yet been billed to FortisBC as of year-end. The billing occurs semi-annually in May and November of each year.

6. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2011	NBV 2010
BPC power facility	$109,511	$25,252	$ 84,259	$ 84,561
BPC terminal station	13,551	3,267	10,284	10,712
BPC lands	2,509	-	2,509	2,509
ALPC power facility	137,811	24,764	113,047	115,493
ALPC transmission	10,745	3,017	7,728	8,106
ALPC lands	3,679	-	3,679	3,679
BEPC power facility	121,956	7,789	114,167	116,158
Computer systems	1,409	858	551	613
Furniture and equipment	1,164	531	633	678
Leasehold improvements	1,798	818	980	1,096
Vehicles	210	179	31	55
	$404,343	$66,475	$337,868	$343,660

7. Expansion Rights

Expansion rights are recorded at cost and include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights. In October 2010, the Waneta Expansion right (CPC's share was $12.7 million) was transferred to WELP in exchange for a non-interest bearing Promissory Note (see Note 11).

7. Expansion Rights (continued)

($ in thousands)	2011	2010
Expansion right	$13,225	$25,925
Less: Accumulated amortization	(1,173)	(843)
	$12,052	$25,082

8. Power Sales Right

CPC's 50% share of the ALPC power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

($ in thousands)	2011	2010
Power sales right	$11,376	$11,376
Accumulated amortization	(7,310)	(6,348)
	$ 4,066	$ 5,028

9. Due from Joint Venture Partner

During the year, CPC advanced no (2010 - $11.0 million) cash reserves to BEPC to allow the venturers' equity invested in BEPC to be transferred to PPPJV for Waneta Expansion development purposes. The loan balance includes $684,000 (2010 - $527,500) of accrued interest. 50% of this related party loan relates to the Trust's share of BEPC and is considered due from CPC's joint venture partner. The loan will be repaid after year end. CPC has also reached an agreement with CBT to adjust its interest in WEPC to 58% from 50% in exchange for $5.76 million to reflect the ownership structure as a result of the WELP investment.

10. Deferred Costs

Deferred costs consisted of CPC's share of project development costs related to the Waneta Expansion project. These were mainly costs related to design engineering, environmental assessment, legal, financing, management and overhead items and were carried on the balance sheet based on management's judgment of anticipated future events. In October 2010 Waneta Expansion development costs were transferred to WELP in exchange for a non-interest bearing Promissory Note (see Note 11).

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2010	2010/11 Changes	Deferred Costs at March 31, 2011
Development costs Waneta Expansion	$ 19,084	$ (19,084)	$ -

(b) Waneta Expansion Project Status

The Waneta Expansion project is a project to install an additional power generation facility with a capacity of 335 megawatts at the existing Waneta dam and to build a 10 km transmission line from the new facility to the Selkirk substation. The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and British Columbia Hydro and Power Authority (BC Hydro). The Selkirk substation is owned by BC Hydro.

In 1994, CPC purchased from Teck the rights to undertake an expansion. One half of the rights were transferred to CBT in 2000.

In October 2010, CPC Waneta Holdings Ltd. (32.5% interest), CBT Waneta Expansion Power Corp. (16.5% interest), and Fortis Inc. (51% interest) formed a limited liability partnership called the Waneta Expansion Limited Partnership (WELP). On October 1, 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were transferred to WELP in exchange for a $72 million non-interest bearing Promissory note to WEPC (see Note 11).

The power generation facility is being constructed under a $587 million Design-Build Contract between WELP and SNC-Lavalin Inc.

11. Promissory Note

On October 1, 2010, all expansion rights and deferred development costs related to the Waneta Expansion Project were transferred to WELP in exchange for a $72 million Promissory Note payable to WEPC. The Promissory Note is non-interest bearing and is payable on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date is estimated to occur in 2015, therefore the Promissory Note is estimated to be repaid in 2020, ten years from the date of issuance. The $72 million Promissory Note was discounted, using an effective interest rate of 5.5%, to its present value at March 31, 2011 of $42,750,000 (CPC's 58% share $24,795,000).

CPC has recorded a write-down equivalent to the difference between its 50% share of the carrying value of the development costs and expansion right prior to the transfer and the present value of its 58% share of the Promissory Note (after adjusting its interest in WEPC - see Note 9).

12. Long Term Bonds

BPC Bonds
The Series A, B and C Brilliant Project Bonds are secured on a limited recourse basis by charges against the Brilliant power facility including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%.

ALPC Bonds
The Series A Arrow Lakes Project Bonds issued on August 28, 2003 are secured on a limited recourse basis by charges against the ALGS Facility and Transmission assets including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by ALPC in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%.

As described in note 13, ALPC exercised the option to redeem the Bonds in April 2011. Therefore, the full amount of the debt, as well as the deferred financing charges, are shown as current at March 31, 2011.

($ in thousands)				CPC's Portion of Principal Outstanding	
Series	**Coupon rate**	**Effective rate**	**Maturity date**	**2011**	**2010**
BPC A	8.93%	9.06%	May 31, 2026	$ 38,486	$ 39,606
BPC B	6.86%	7.00%	May 31, 2026	11,277	11,675
BPC C	5.67%	6.39%	May 31, 2026	20,641	21,455
ALPC A	5.39%	6.27%	March 31, 2015	22,775	27,224
				93,179	99,960
	Current portion			(25,286)	(6,781)
				67,983	93,179
	Less: financing costs			(1,720)	(2,017)
				$66,173	$91,162
Principal repayments next five years:					
2012				$ 25,285	
2013				2,701	
2014				2,907	
2015				3,130	
2016				3,370	
Subsequent years				55,786	
				$ 93,179	

13. Subsequent Event and Deferred Bond Issue Costs

On April 5, 2011, ALPC exercised its option to redeem its Series A Bonds. The proposed redemption date is May 5, 2011 and the total redemption price will be $48.4 million which includes interest and a redemption premium of $2.8 million.

On the same date, ALPC issued $350 million principal amount of Series B Bonds with a coupon rate of 5.516% which is due April 5, 2041. The proceeds from the Series B Bond issue will be used to pay for amounts owing on the Series A Bond redemption.

13. Subsequent Event and Deferred Bond Issue Costs (continued)

The above transactions will impact ALPC's financial results as follows:

- The debt associated with the Series A Bonds will be redeemed.
- The current portion of the debt associated with the Series B Bonds will be included in current liabilities.
- The long term portion of the debt associated with the Series B Bonds will be included in long term liabilities.
- The net proceeds of the Series B Bond issue will be distributed to the owners, CPC and CBT Arrow Lakes.

The Series B Bonds are secured on a limited recourse basis by charges against the ALGS Facility and Transmission assets related material contracts, licenses, permits, approvals, authorizations and insurance coverages.

Certain costs associated with obtaining the new debt were incurred prior to March 31, 2011. They have been included in CPC's other assets as Deferred Bond Issue Costs for $396,000. In fiscal 2012, these deferred costs will be presented as an offset to the cost of the new debt.

14. Share Capital

Authorized:
6 common shares, no par value

Issued:

6 common shares	$6

15. Contributed Surplus

Contributed surplus represents $250,000,000 in cash contributions and $25,925,000 in expansion rights granted by the Province, and $140,000 contributed in kind by BC Hydro between 1996 and 2000 to allow CPC to invest in power projects.

16. Capital Disclosures

CPC's capital management objectives are to:

- Target a long-term capital structure with sufficient debt to finance the Waneta Expansion project;
- Finance the debt portion of the capital structure with fixed rate, longer term debt approximately matching the term of relevant power sales agreements;
- Maintain investment grade credit ratings to support continued access to cost effective capital.

CPC's capital consists of shareholder's equity plus debt.

($ in thousands)	2011	2010
Debt	$ 93,179	$ 99,961
Shareholder's equity	373,484	367,015
	$ 466,663	$ 466,976

17. Commitments

(a) Plant Operations

Under its agreements with Bondholders, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute to the Columbia Basin Fish and Wildlife Compensation Program to compensate for fish entrainment for as long as fish are entrained in the ALGS. In 2010/11 the contribution was $204,000 (2009/10 - $227,000). This funding will be used for fertilizing fish stocks in the Upper and Lower Arrow Reservoirs.

(c) BEPC Project Approval Certificate

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments which are being actively managed by BEPC.

(d) Office Long Term Lease Commitment

CPC has entered into operating leases for office premises for the next eight years. The minimum annual lease payments total is currently $147,000 per year and continues to increase incrementally each year until it reaches $167,000 by March 31, 2019.

(e) Commitment to WELP

Under the Limited Partnership Agreement, CPC Waneta has committed to fund its obligations to WELP to carry out the Waneta Expansion project.

18. Contingencies

CPC's operating and project construction management activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

19. Grants-in-Lieu of Property Taxes

ALPC and BEPC are exempt from property taxes but pay grants-in-lieu of property taxes to host and impacted local governments based on the 185 and 120 megawatt capacities of the ALGS and Brilliant Expansion respectively. In 2010/11 the charge per megawatt was $1,428 (2009/10 - $1,327).

Columbia Power Corporation was directed by the Province to make payments of the grants-in-lieu of property taxes to the host and impacted local governments.

20. Changes in Non-cash Working Capital

($ in thousands)	2011	2010
Changes in non-cash working capital:		
Accounts receivable	$ (1,458)	$ 2,144
Due from joint venture partner	(595)	-
Prepaid expense	279	(119)
Accounts Payable and Accrued Liabilities	172	(1,982)
Accounts Payable to Related Parties	439	(54)
Accrued Interest	(158)	(143)
Deferred Revenue	138	(124)
Other	-	2
	$ (1,183)	$ (276)

21. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plan Act.* The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer defined benefit pension plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. The most recent actuarial valuation (March 31, 2008) determined the Plan had a surplus. Despite the surplus, the Public Service Pension Board of Trustees was required to implement a contribution rate increase of 0.15% each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases went into effect April 1, 2009. Contributions to the Plan by CPC in 2010/11 were $268,000 (2009/10 - $346,000).

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the Public Service Pension Plan. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability.

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2011 as $192,000 (2010 - $201,000) on a discounted cash flow basis.

22. Related Party Transactions

CPC is related through common ownership to its joint ventures with the Columbia Basin Trust. CPC is also related through indirect common ownership to all Province of British Columbia ministries, agencies, Crown Corporations and public sector organizations that are included in the provincial government reporting entity.

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro and its affiliates; the Trust and its affiliates; and the Province. Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are considered to possess commercial substance and are consequently recorded at the exchange amount. Related party transactions and balances are summarized in the following table:

Related Party	2011	2010
	($ in thousands)	
BC Hydro		
Accounts Receivable	1,600	1,500
Accounts Payable	10	-
Sales of Power	30,523	27,400
Administration and Management	93	124
Operations and Maintenance	88	8
BCTC (combined with BC Hydro July 2010)		
Prepaid Expenses	-	30
Operations and Maintenance	-	38
Deferred Development Costs	7	16

Related Party	2011	2010
	($ in thousands)	
Powerex		
Accounts Receivable	20	170
Sales of Power	1,246	2,132
Administration and Management	45	49
Province of BC		
Prepaid Expenses	1,641	1,561
Deferred Development Costs	137	88
Water Rental Fees	4,842	4,765
Administration and Management	247	359
Operations and Maintenance	4	4
Columbia Basin Trust		
Capital Assets	137	-
Deferred Development Costs	85	108
Accounts Payable	284	-
Administration and Management	849	965
Operations and Maintenance	4	-
Joint Ventures		
Accounts Receivable	704	646
Management fee	1,040	1,643

23. Comparative Figures

Certain 2010 figures have been reclassified to conform with the current year's presentation.