COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

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Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and fairly present Columbia Power Corporation's consolidated financial position, financial performance, and cashflows. The integrity of the information presented in the consolidated financial statements, including estimates and judgments 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
President and CEO

David de Git, CMA
Director, Finance

May 15, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Columbia Power Corporation, and
To the Minister of Energy and Mines and Minister Responsible for Core Review

I have audited the accompanying consolidated financial statements of Columbia Power Corporation, its subsidiary and its joint ventures ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 the Columbia Power Corporation as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia
May 15, 2013

Russ Jones, MBA, CA
Auditor General (Acting)

COLUMBIA POWER CORPORATION
Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

	Notes		March 31, 2013		March 31, 2012
Assets					
Current assets					
Cash and cash equivalents	9	$	6,306	$	40,575
Accounts receivable	10		1,142		6,505
Prepaid expense			8		10
Other investments	11		90,627		100,051
Total current assets			98,083		147,141
Non-current assets					
Restricted cash	9		591		186
Investment in equity accounted joint arrangements	4, 6		209,686		212,380
Investment prior to limited partnership	8		1,325		1,325
Investment in Waneta Expansion Limited Partnership	8		160,286		94,790
Property, plant & equipment	12		1,165		1,586
Total non-current assets			373,053		310,267
TOTAL ASSETS		$	471,136	$	457,408
Liabilities and Shareholder's Equity					
Current liabilities					
Accounts payable and accrued liabilities	4, 13	$	4,379	$	6,406
Dividend payable	22		2,000		2,000
Total current liabilities			6,379		8,406
Non-current liabilities					
Loans and borrowings	14		19,891		19,887
Total non-current liabilities			19,891		19,887
Equity					
Share capital	15		-		-
Contributed surplus	16		276,065		276,065
Retained earnings	4		168,801		153,050
Total Equity			444,866		429,115
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$	471,136	$	457,408
Commitments	25				
Contingencies	26				

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 Statement of Comprehensive Income
For the years ended March 31
(Expressed in thousands of dollars)

	Notes	2013	2012
Revenue	17	$ 1,816	$ 1,833
Other income	4, 6	19,855	16,148
Depreciation expense	12	(483)	(603)
Other expenses	4, 20	(3,596)	(3,627)
Results from operating activities		17,592	13,751
Finance income	18	1,299	1,982
Finance costs	19	(1,140)	(1,130)
Net finance income		159	852
Total comprehensive income for the year		$ 17,751	$ 14,603

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity
For the years ended March 31
(Expressed in thousands of dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2011 as previously stated		-	$ 276,065	$ 140,437	$ 416,502
Correction of an error relating to previous year	4			10	10
Balance at April 1, 2011 restated			276,065	140,447	416,512
Comprehensive income for the year			-	14,603	14,603
Dividend to equity holders	22		-	(2,000)	(2,000)
Balance at March 31, 2012		-	$ 276,065	$ 153,050	$ 429,115
Comprehensive income for the year			-	17,751	17,751
Dividend to equity holders	22		-	(2,000)	(2,000)
Balance at March 31, 2013		-	$ 276,065	$ 168,801	$ 444,866

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION
Consolidated Statement of Cash Flows
For the years ended March 31
(Expressed in thousands of dollars)

	Notes	2013	2012
Cash flows from Operating Activities			
Total comprehensive income for the year		$ 17,751	$ 14,603
Adjustments to reconcile cash flow from operations			
Amortization of property, plant and equipment		483	603
Ineligible costs capitalized in WELP		-	196
Interest income		(1,299)	(1,982)
Interest expense		1,140	1,130
Other income		(19,855)	(16,148)
Net change in non-cash working capital balances			
Accounts receivable		5,363	(3,921)
Prepaid expense		2	4
Accounts payable and accrued liabilities		(2,026)	(1,075)
Net cash from operating activities		1,559	(6,590)
Cash flows from financing activities			
Interest paid		(1,137)	(574)
Borrowing		-	20,000
Borrowing costs		-	(113)
Related party loan received		-	33,197
Dividends declared		(2,000)	(2,000)
Net cash used in financing activities		(3,137)	50,510
Cash flows from investing activities			
Interest received		1,299	1,603
Dividends received		22,550	158,064
(Purchase)/sale of temporary investments		9,424	(99,272)
Investment in limited partnership		(65,496)	(61,320)
Investment in Brilliant Expansion		-	(16,599)
(Acquisition)/disposal of property, plant and equipment		(63)	5
Net cash used in investing activities		(32,286)	(17,519)
Increase (decrease) in cash and cash equivalents		(33,864)	26,401
Cash and cash equivalents, beginning of period		40,761	14,360
Cash and cash equivalents, end of period		$ 6,897	$ 40,761
CASH CONSISTS OF:			
Restricted cash	9	591	186
Cash available for operations	9	6,306	40,575
		$ 6,897	$ 40,761

The accompanying notes are an integral part of the financial statements

1. Reporting entity:

Columbia Power Corporation (CPC) is a company incorporated in British Columbia and domiciled in Canada. The address of CPC's registered office is Suite #200, 445 – 13th Avenue, Castlegar, British Columbia. 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 and operate hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (CBT), also wholly owned by the Province.

The Agreement anticipated that several power projects would be undertaken through joint ventures between CPC and subsidiaries of CBT (the shareholders). The final power project under the Agreement, the Waneta Expansion Project, is currently being undertaken through a partnership between CPC Waneta Holdings Ltd. (CPC Waneta - CPC's 100% owned subsidiary), CBT, and Fortis Inc. The cost of all projects is expected to exceed $1 billion. Under the Agreement between the Province and CBT, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of the power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and CBT's subsidiaries. The entities holding legal title to the power projects and their governance structures are described in notes 5 and 7.

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 boards and annual capital and operating budgets approved by their boards. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publically accountable enterprises.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2013, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2012.

The consolidated financial statements were authorized for issue by the board of directors on May 15, 2013.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is CPC's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except as otherwise noted.

(d) Use of estimates and judgments:

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2(e) - Determination of fair values;

Note 3(a) (ii) - Investments in joint arrangements and in associates (equity accounted investees);

Note 3(c) - Designation of financial instruments; and

Note 3(f) - Leased assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(g) - Impairment; and

Notes 3(i) and 26 – Provisions, and Contingencies.

(e) Determination of fair values:

Certain of CPC's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. The fair value of accounts receivable, due from joint venture investee, accounts payable and accrued liabilities, and loans and borrowings are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value for other investments is determined as the quoted market prices of those investments. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by CPC entities.

(a) Basis of consolidation:

These consolidated financial statements and notes include CPC's operations, account balances and operations of CPC's wholly owned subsidiary, and interests in jointly controlled operations and investments in associates accounted for under the equity method.

(i) Investment in subsidiary:

These consolidated financial statements show the overall financial results and the overall financial position for CPC and its wholly owned subsidiary, CPC Waneta. CPC has control when it has direct or indirect ownership of the majority of voting capital. Control is normally achieved through ownership of 50 percent or more of voting capital. Intercompany sales, account balances, and gains and losses on intercompany transactions have been eliminated on consolidation.

(ii) Investments in joint arrangements and associates (equity accounted investees):

Joint ventures are those joint arrangements over whose activities CPC has joint control, established by contractual agreement (see note 5).

Associates are those entities in which CPC has significant influence, but not control (or joint control), over the financial and operating policies (see note 7). Significant influence is presumed to exist when CPC holds between 20 and 50 percent of the voting power of another entity.

Joint ventures and investments in associates (equity accounted investees) are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include CPC's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CPC, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When CPC's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that CPC has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation:

Unrealized income and expenses arising from intra-Company transactions are eliminated in preparing the consolidated financial statements to the extent that one of the parties has capitalized the unrealized income or expenses. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of CPC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Transactions that do not involve the assets of the equity accounted investee are not eliminated.

3. Significant accounting policies (continued):

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of CPC at exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at the rate of exchange prevailing at the reporting date.

(c) Designation of financial instruments:

(i) Non-derivative financial assets:

IFRS requires financial assets to be classified as one of the following: fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

CPC initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which CPC becomes a party to the contractual provisions of the instrument.

CPC derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CPC is recognized as a separate asset or liability.

CPC has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss given that CPC manages such investments and makes purchase and sale decisions based on their fair value in accordance with CPC's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Assets in this category are classified as current assets and are included in other investments on the Consolidated Statement of Financial Position.

3. Significant accounting policies (continued):

(c) Designation of financial instruments (continued):

(i) Non-derivative financial assets (continued):

Loans and receivables:

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

Loans and receivables comprise cash and cash equivalents, restricted cash, and accounts receivable.

(ii) Non-derivative financial liabilities:

CPC initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which CPC becomes a party to the contractual provisions of the instrument.

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

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

CPC has the following non-derivative financial liabilities: accounts payable and accrued liabilities, dividends payable, and loans and borrowings.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are amortized at the same rate as the repayment on the loans and borrowings.

(d) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

3. Significant accounting policies (continued):

(e) Property, plant and equipment:

(i) Recognition and measurement:

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

(ii) Subsequent costs:

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

(iii) Depreciation:

Items of property, plant and equipment are recorded at cost and are depreciated annually at rates calculated to expense the cost of assets over their estimated useful lives. Depreciation begins when assets are available for use.

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

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

Computers and software	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Vehicles	8 years

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

3. Significant accounting policies (continued):

(f) Leased assets:

Leases for which CPC assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. Under an operating lease, the leased assets are not recognized in the Consolidated Statement of Financial Position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Impairment:

(i) Financial assets:

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

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

Management has assessed that there is no impairment loss on any of CPC's financial assets as at March 31, 2013 and March 31, 2012.

(ii) Non-financial assets:

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

Management has determined that there are no indications of impairments of CPC's non-financial assets as at March 31, 2013 and March 31, 2012.

3. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined contribution plan benefits and employee benefits:

Pension plans are detailed in note 21 and are accounted for as a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits:

CPC's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the net present value method of discounting estimated future cash flows. The discount rate used is 5.5%. Any gains and losses in net present value are recognized in profit or loss in the period in which they arise.

(iii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus or profit-sharing plans if CPC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(i) Provisions:

A provision is recognized if, as a result of a past event, CPC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

At March 31, 2013 and March 31, 2012, management determined that CPC does not have any legal or constructive obligations requiring a provision.

(j) Government grants:

The amounts recognized in contributed surplus, per note 16, reflect contributions made by the Province in its capacity of shareholder to CPC.

3. Significant accounting policies (continued):

(k) Finance income and finance costs:

Finance income comprises interest income on cash and cash equivalents, and changes in the fair value of financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss.

(l) Income tax:

As a Crown corporation, CPC is exempt from corporate income taxes.

(m) New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these consolidated financial statements. The following standards, amendments to and interpretations of existing standards have been published but are not effective until CPC's accounting periods beginning after January 1, 2013:

(i) Fair value measurements:

IFRS 13, Fair Value Measurements was issued in May 2011 and provides a common definition of fair value, establishes a framework for measuring fair value under IFRS, and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. As of the reporting date, management has determined there will be no significant impact of the standard on CPC's financial statement disclosures.

(ii) Financial instruments:

IFRS 9, Financial Instruments was issued in October 2010 and replaces the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model that has only two classification categories: amortized cost and fair value. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on CPC's financial statement disclosures.

IFRS 7 Financial Instruments – Disclosures - *Offsetting Financial Assets and Financial Liabilities* was issued in December 2011 and amends this standard to provide additional information about offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. As of the reporting date, management has determined that there will be no significant impact on CPC's financial statement disclosures.

3. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted (continued):

(ii) Financial instruments (continued):

An amended version of IAS 32, Financial Instruments: Presentation - *Offsetting Financial Assets and Financial Liabilities* was issued In December 2011 and provides clarification to the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for periods beginning on or after January 1, 2014. As of the reporting date, management has determined there will be no significant impact of this revised standard on CPC's financial statements.

(iii) Employee benefits:

An amendment to IAS 19, Employee Benefits, was issued in June 2011 and eliminates the 'corridor method' of accounting for defined benefit plans. Revised IAS 19 also streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, and enhances the disclosure requirements for defined benefit plans. This revised standard is required to be applied for accounting periods beginning on or after January 1, 2013. Management has determined there will be no impact of this revised standard on CPC's financial statements.

(iv) Presentation of financial statements:

An amendment to IAS 1, Presentation of Financial Statements was issued in June 2011 and requires companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the statement of earnings. Revised IAS 1 also reaffirms existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. This revised standard is required to be applied for periods beginning on or after July 1, 2012. Management has determined there will be no significant impact of this revised standard on CPC's financial statements.

4. Prior period adjustments:

a) Corrections to employee amounts payable:

During fiscal 2013, management determined that since fiscal 2011 certain accruals for employee benefits were not being reversed when paid. In fiscal 2011, CPC changed employee benefits providers which also required a change to monthly accrual processes. However, accrual entries continued to be booked based on monthly processes in place under the previous benefit providers. Consequently, the accrual entries for employee amounts payable for health and welfare benefits were accrued but not reversed causing the accrued liability account to accumulate and for the employee benefits expenses to be overstated in fiscals 2011 and 2012.

In fiscal 2011, an adjustment has been made to reverse accruals of $47 thousand. This adjustment decreased accounts payable and accrued liabilities and increased retained earnings on the Consolidated Statement of Financial Position by the same amount.

In fiscal 2012, an adjustment has been made to reverse accruals by an additional $71 thousand. This adjustment decreased accounts payable and accrued liabilities and increased retained earnings on the Consolidated Statement of Financial Position and decreased other expenses on the Consolidated Statement of Comprehensive Income by the same amount.

b) Corrections of errors in Arrow Lakes Power Corporation:

During fiscal 2013, there were errors found relating to the amortization of property, plant and equipment and expense accruals which impacted fiscals 2011 and 2012. Consequently, CPC's investment in equity accounted joint arrangements account was overstated at March 31, 2011 and March 31, 2012 by $37 thousand and $48 thousand respectively.

At March 31, 2011, an adjustment has been made to reduce the investment in equity accounted joint arrangements account by $37 thousand and to reduce retained earnings by the same amount on the Consolidated Statement of Financial Position.

In fiscal 2012, an adjustment has been made to reduce CPC's share of profit and loss from equity accounted joint arrangements by an additional $11 thousand. This adjustment reduced other income on the Consolidated Statement of Comprehensive Income and reduced the investment in equity accounted joint arrangements account and retained earnings by the same amount on the Consolidated Statement of Financial Position.

c) Correction of error in Brilliant Power Corporation:

During fiscal 2013, an error was found relating to overhead billed during fiscal 2012. Consequently, CPC's investment in equity accounted joint arrangements account was overstated at March 31, 2012 by $143 thousand. An adjustment has been made to reduce the investment in equity accounted joint arrangements account and retained earnings on the Consolidated Statement of Financial Position each by $143 thousand. Other income on the Consolidated Statement of Comprehensive Income has also been reduced by $143 thousand.

4. Prior period adjustments (continued):

The following table summarizes the changes made to the Consolidated Statement of Financial Position based on correction of the errors.

($ in thousands)	Investment in equity accounted joint arrangements	Accounts payable and accrued liabilities	Retained earnings
Balances at April 1, 2011 as previously stated	337,735	(6,977)	140,437
Impact of error corrections from prior year	(37)	47	10
Balances at April 1, 2011 as restated	**337,698**	**(6,930)**	**140,447**
Balances at March 31, 2012 as previously stated	212,571	(6,524)	153,123
Impact of error corrections as at April 1, 2011	(37)	47	10
Impact of error corrections in fiscal 2012	(154)	71	(83)
Balances at March 31, 2012 as restated	**212,380**	**(6,406)**	**153,050**

The effect on the Consolidated Statement of Comprehensive Income was as follows:

($ in thousands)	Other Income	Other Expenses (Administration and management)	Comprehensive Income
Balances for year ending March 31, 2012 as previously stated	16,302	(3,698)	14,686
Impact of error corrections	(154)	71	(83)
Balances for year ending March 31, 2012 as restated	**16,148**	**(3,627)**	**14,603**

5. Description of equity accounted joint arrangements:

CPC carries out its mandate to develop and operate hydro electric facilities through its interest in the following jointly controlled operations:

- **Brilliant Power Corporation (BPC)**

  The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station (BTS) assets. The Brilliant Power Facility and BTS are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, 3 kilometers upstream of the confluence with the Columbia River.

- **Brilliant Expansion Power Corporation (BEPC)**

  The purpose of BEPC is to operate the Brilliant Expansion Project (Brilliant Expansion), a 120 megaWatt power generation facility adjacent to the Brilliant Dam at Castlegar, British Columbia, and to sell the power generated from this facility.

- **Arrow Lakes Power Corporation (ALPC)**

  The purpose of ALPC is to operate the 185 megaWatt Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48-kilometre transmission line from the power plant to British Columbia Hydro and Power Authority's (BC Hydro, a provincial Crown corporation) Selkirk substation, and to sell the power generated from ALGS.

All three corporations are jointly owned on a 50/50 basis by CPC and one of CBT's wholly owned subsidiaries. The shareholders direct activities for each corporation through the corporation's board of directors with an equal number of directors appointed by each shareholder. All decisions of the boards of directors require the unanimous approval of the directors.

For BPC and ALPC, which have issued project bonds, CPC's access to its investment is secondary to the bondholders' claims on the assets of BPC and ALPC.

- **Waneta Expansion Power Corporation (WEPC)**

  WEPC is jointly owned by CPC (58%) and CBT Energy Inc. (42%) (a subsidiary of CBT). Given that CPC and CBT Energy Inc. share control over decision-making on a 50/50 basis, CPC accounts for WEPC as an investment in an equity accounted joint arrangement.

  Prior to October 2010, WEPC held legal title to all assets related to the Waneta Expansion project. In October 2010 title of all property, plant and equipment (development costs) and intangibles (expansion rights) was transferred from WEPC to the Waneta Expansion Limited Partnership (WELP) in exchange for a $72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP. Since that date the sole purpose of WEPC is to hold the promissory note to the end of its term in 2020.

6. Summary financial information for equity accounted joint arrangements:

CPC's share of profit in its equity accounted joint arrangements for the year was $19,855 thousand (2012: $16,148 thousand) as follows:

For the year ended March 31 ($ in thousands)		**2013**	**2012**
BPC	50%	9,997	9,495
ALPC	50%	(468)	(2,077)
BEPC	50%	9,329	7,786
WEPC	58%	997	944
		19,855	16,148

In 2013, CPC received $22,550 thousand in dividends from its investments in equity accounted joint arrangements (2012: $158,064 thousand) as follows:

For the year ended March 31 ($ in thousands)	**2013**	**2012**
BPC	5,200	5,900
ALPC	5,100	142,812
BEPC	12,250	9,352
	22,550	158,064

6. Summary financial information for equity accounted joint arrangements (continued):

The following information has **not been adjusted** for the percentage ownership held by CPC:

($ in thousands)	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net Assets	Total Income	Expenses	Profit (loss) and OCI
March 31, 2012											
BPC	50%	14,135	309,494	323,629	11,610	127,988	139,598	184,031	40,846	(21,856)	18,990
ALPC	50%	22,064	275,060	297,124	10,151	347,271	357,422	(60,298)	36,157	(40,311)	(4,154)
BEPC	50%	13,309	237,421	250,730	1,086	-	1,086	249,644	30,478	(14,907)	15,571
WEPC	58%	-	45,161	45,161	-	-	-	45,161	2,411	-	2,411
		49,508	867,136	916,644	22,847	475,259	498,106	418,538	109,892	(77,074)	32,818
March 31, 2013											
BPC	50%	13,338	314,367	327,705	11,672	122,409	134,081	193,624	41,671	(21,678)	19,993
ALPC	50%	23,599	262,976	286,575	10,648	347,361	358,009	(71,434)	36,987	(37,923)	(936)
BEPC	50%	13,344	231,887	245,231	1,429	-	1,429	243,802	33,297	(14,639)	18,658
WEPC	58%	-	47,708	47,708	-	-	-	47,708	2,547	-	2,547
		50,281	856,938	907,219	23,749	469,770	493,519	413,700	114,502	(74,240)	40,262

6. Summary financial information for equity accounted joint arrangements (continued):

The following information has not been adjusted for the percentage ownership held by CPC:

($ in thousands)	Ownership	Cash and Cash Equivalents	Current Financial Liabilities	Non-current Financial Liabilities	Depreciation and Amortization	Interest Income	Interest Expense
March 31, 2012							
BPC	50%	12,240	5,402	127,988	(67)	29,177	(10,815)
ALPC	50%	38,333	-	347,271	(7,435)	534	(23,084)
BEPC	50%	6,548	-	-	(5,000)	118	(406)
WEPC	58%	-	-	-	-	2,411	-
		57,121	5,402	475,259	(12,502)	32,240	(34,305)
March 31, 2013							
BPC	50%	11,040	5,814	122,409	(66)	29,541	(10,380)
ALPC	50%	37,989	-	347,361	(7,374)	351	(19,402)
BEPC	50%	9,297	-	-	(5,019)	138	(28)
WEPC	58%	-	-	-	-	2,547	-
		58,326	5,814	469,770	(12,459)	32,577	(29,810)

6. Summary financial information for equity accounted joint arrangements (continued):

The following table shows a reconciliation from net assets of equity accounted joint arrangements to the investment in equity accounted joint arrangements.

($ in thousands)	BPC See note 4	ALPC See note 4	BEPC	WEPC	Total
Net assets of equity accounted joint arrangements at April1, 2011	176,841	229,479	219,581	42,750	668,651
CPC's share	50%	50%	50%	58%	
	88,421	*114,739*	*109,791*	*24,795*	*337,746*
Less: elimination entries	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at April 1, 2011	**88,421**	**114,691**	**109,791**	**24,795**	**337,698**
Contributions	-	-	33,196	-	33,196
Dividends paid	(11,800)	(285,623)	(18,704)	-	(316,127)
Profit/loss	18,990	(4,154)	15,571	2,411	32,818
Net assets of equity accounted joint arrangements at March 31, 2012	184,031	(60,298)	249,644	45,161	418,538
CPC's share	50%	50%	50%	58%	
	92,016	*(30,149)*	*124,822*	*26,193*	*212,882*
Less: elimination entries	-	*(48)*	-	*(454)*	*(502)*
Investment in equity accounted joint arrangements at March 31, 2012	**92,016**	**(30,197)**	**124,822**	**25,739**	**212,380**
Contributions	-	-	-	-	-
Dividends paid	(10,400)	(10,200)	(24,500)	-	(45,100)
Profit/loss	19,993	(936)	18,658	2,547	40,262
Net assets of equity accounted joint arrangements at March 31, 2013	193,624	(71,434)	243,802	47,708	413,700
CPC's share	50%	50%	50%	58%	
	96,812	*(35,717)*	*121,901*	*27,671*	*210,667*
Less: elimination entries		*(48)*		*(933)*	*(981)*
Investment in equity accounted joint arrangements at March 31, 2013	**96,812**	**(35,765)**	**121,901**	**26,738**	**209,686**

Notes:

1. The ongoing elimination entry for $48 thousand represents interest charged by CPC to ALPC on funding provided by CPC for the construction of the Arrow Lakes Generating Station and Transmission line.
2. The elimination entry in fiscal 2013 of $933 thousand (2012 - $454 thousand) represents the cumulative elimination of CPC's portion of interest earned on the promissory note held by WEPC.

7. Description of subsidiary and subsidiary's equity accounted investee:

CPC wholly owns CPC Waneta which owns 32.5% of the Waneta Expansion Limited Partnership (WELP).

CPC Waneta was incorporated September 8, 2010 under the British Columbia Business Corporations Act, and started operations on October 1, 2010. CPC is the sole shareholder of CPC Waneta. CPC Waneta's purpose is to be party to the investment in WELP through the Waneta Expansion General Partner Shareholder Agreement and the Waneta Expansion Amended and Restated Partnership Agreement. Ownership in WELP is as follows: Fortis Inc. (51%), CPC Waneta (32.5%) and CBT (16.5%). Given its ownership interest in WELP and 29% (2 of 7) representation on the board of directors of the Waneta Expansion General Partnership, CPC Waneta has significant influence over WELP and accounts for its investment using the equity method. Summarized financial information for WELP is included in note 8.

8. Investment prior to and in Waneta Expansion Limited Partnership (WELP):

Prior to the design build contract being signed and the formation of WELP, Fortis Inc., CPC Waneta and CBT signed a letter of intent with SNC-Lavalin Inc. to authorize certain activities of the design-build contractor necessary to preserve the construction schedule. These activities are part of the design-build contract cost. CPC Waneta's investment to cover its share of the cost of these activities was $1.325 million.

CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash calls from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project. WELP uses Canadian accounting standards for private enterprises to prepare its own financial statements and has capitalized all costs to date related to the Waneta Expansion project. Certain costs related to the project are considered ineligible for capitalization under IFRS, and must be expensed when adjusting WELP's accounting policies to conform to those adopted by CPC and CPC Waneta.

Cash contributions are as follows:

($ in thousands)	**2013**	**2012**
Opening balance at April 1	94,790	33,669
Cash contributions	65,702	61,317
Less: ineligible costs *	-	(196)
Less: elimination entry **	(206)	-
Investment in WELP	65,496	61,121
Total cumulative investment in WELP	**160,286**	**94,790**

*costs ineligible for capitalization under IFRS

**CPC's portion of management fees and cost recoveries charged by CPC to WELP

8. Investment prior to and in Waneta Expansion Limited Partnership (WELP) (continued):

Summarized financial information of WELP is included in the following table. Summary financial information has been adjusted to conform to accounting policies adopted by CPC and CPC Waneta. The fair value of the investment in WELP is not available.

On March 31, 2012 and 2013, CPC Waneta's accumulated contribution does not equal 32.5% of WELP's total partner equity due to the timing of contribution payments from other partners.

($ in thousands)	2013	2012
Current assets	31,803	26,276
Non-current assets	517,677	362,356
Total assets	**549,480**	**388,632**
Current liabilities	6,944	37,100
Non-current liabilities	47,708	45,161
Partner equity	494,828	306,371
Total liabilities and partner equity	**549,480**	**388,632**

9. Cash and cash equivalents and restricted cash:

Cash and cash equivalents include cash balances and call deposits with a Canadian bank and have original maturities of three months or less. Restricted cash includes a letter of credit issued by CPC Waneta to BC Hydro for development security under the 2010 Waneta Expansion Limited Partnership Electricity Purchase Agreement.

10. Accounts receivable:

($ in thousands)	Notes	2013	2012
Accounts receivable from related parties	27	1,069	6,428
Other accounts receivable		73	77
		1,142	6,505

CPC's exposure to credit risks and impairment losses related to accounts receivable is disclosed in note 23.

11. Other investments:

Other investments comprise Canadian short term dollar money market instruments. 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.

12. Property, plant and equipment:

($ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
Cost					
Balance, April 1, 2011	1,261	884	211	1,409	3,765
Additions	-	-	-	73	73
Disposals	-	78	26	463	567
Balance, March 31, 2012	1,261	806	185	1,019	3,271
Balance, April 1, 2012	1,261	806	185	1,019	3,271
Additions	-	-	-	62	62
Disposals	-	-	46	-	46
Balance, March 31, 2013	1,261	806	139	1,081	3,287
Depreciation					
Balance, April 1, 2011	232	302	179	858	1,571
Depreciation for the year	116	164	14	309	603
Disposals	-	-	26	463	489
Balance, March 31, 2012	348	466	167	704	1,685
Balance, April 1, 2012	348	466	167	704	1,685
Depreciation for the year	126	164	6	187	483
Disposals	-	-	46	-	46
Balance, March 31, 2013	474	630	127	891	2,122
Carrying amounts					
March 31, 2012	913	340	18	315	1,586
March 31, 2013	787	176	12	190	1,165

Management has estimated that the fair values of property, plant and equipment are not materially different from the carrying values.

13. Accounts payable and accrued liabilities:

($ in thousands)	Notes	2013	2012
Accounts payable to related parties		1,385	5,270
Accrued interest owing to related party		551	551
Sub-total	27	1,936	5,821
Management bonuses		175	160
Other accounts payable		2,268	425
Total accounts payable and accrued liabilities	4	4,379	6,406

CPC's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

14. Loans and borrowings:

This note provides information about the contractual terms of CPC's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about CPC's exposure to interest rate and liquidity risk, see note 23.

($ in thousands)	2013	2012
Promissory note	20,000	20,000
Less: borrowing costs	(109)	(113)
	19,891	19,887

On April 5, 2011, CBT Energy Inc. advanced $20 million cash to CPC in the form of a promissory note to assist CPC with cashflow requirements. The promissory note bears interest at 5.67% and has a 30 year term, similar to terms of the ALPC Series B bonds. Interest only is payable until April 5, 2016, after which the promissory note will be repayable in 50 semi-annual payments of principal and interest commencing on October 5, 2016. The promissory note is unsecured and may be prepaid in whole or in part at any time without notice, penalty or bonus.

($ in thousands)	Coupon rate	Effective rate	Year of maturity	2013	2012
Promissory note	5.67%	5.72%	2041	19,891	19,887

CPC is in compliance with all terms and conditions of the promissory note.

15. Capital:

At March 31, 2013 and March 31, 2012, CPC has 6 common shares authorized with no par value and issued for $6 dollars.

16. Contributed surplus:

Contributed surplus represents the contributions made by the Province to permit CPC to purchase hydroelectric power expansion rights and to fund power project costs.

17. Revenue:

For the year ended March 31 ($ in thousands)	2013	2012
Management fees	158	290
Recovery of costs incurred on behalf of WELP	1,658	1,543
	1,816	1,833

18. Finance income:

For the year ended March 31 ($ in thousands)	2013	2012
Interest earned on loan to investee	-	379
Interest on bank accounts	99	13
Interest on other investments	1,200	1,590
	1,299	1,982

19. Finance costs:

For the year ended March 31 ($ in thousands)	2013	2012
Bank fees	2	2
Financing costs	4	5
Interest on loans and borrowings	1,134	1,123
	1,140	1,130

20. Other expenses:

For the year ended March 31 ($ in thousands)	Notes	2013	2012
Development costs expensed		-	196
Insurance		10	9
Administration and management		3,057	2,878
Community sponsorship		88	84
Grants-in-lieu of property taxes		441	460
	4	3,596	3,627

21. Employee benefits:

CPC and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the Public Sector Pension Plan Act. The British Columbia Pension Corporation administers PSPP, including payment of pension benefits to employees to whom the act applies. PSPP is a multi-employer defined benefit pension plan. PSPP is accounted for as a defined contribution plan as sufficient information is not available to use defined benefit accounting.

Under joint trusteeship, the risk and reward associated with PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. The latest actuarial valuation, conducted in March 2011, determined that PSPP has assets of $17.8 billion as compared to liabilities of $18.0 billion. As a result, there was a relatively small contribution rate increase to the PSPP for both the employers and plan members starting in fiscal 2013. The PSPP Board of Trustees was required to implement a contribution rate increase of 0.40% of salary each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases were effective as of April 1, 2012. Contributions to PSPP by CPC in fiscal 2013 were $363 thousand (2012 - $283 thousand).

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the PSPP. 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, 2013 as $179 thousand (2012 - $185 thousand) on a discounted cash flow basis at a 5.5% discount rate.

22. Dividends:

The following dividends were declared by CPC:

For the year ended March 31 ($ in thousands)	2013	2012
$333 thousand per qualifying common share (2012: $333 thousand)	2,000	2,000

At March 31, 2013 there are $2 million in dividends payable (2012 - $2 million)

23. Financial instruments:

(a) Financial risk management:

CPC is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about CPC's exposure to each of the above risks, CPC's objectives, policies, and processes for measuring and managing risk, and CPC's management of capital.

(b) 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. Financial assets are neither overdue nor impaired, and CPC does not consider itself to be significantly exposed to credit risk.

The percentage of accounts receivable balance older than 90 days is 0% (2012: 0%).

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

($ in thousands)	2013	2012
	Carrying amounts	
Cash and cash equivalents	6,306	40,575
Restricted cash	591	186
Accounts receivable	1,142	6,505
Other investments	90,627	100,051
	98,666	147,317

23. Financial instruments (continued):

(c) 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 management does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

($ in thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
March 31, 2013							
Accounts payable and accrued liabilities	4,379	4,379	4,379				
Loans and borrowings	19,891	41,058	16	567	1,133	5,464	33,878
	24,270	45,437	4,395	567	1,133	5,464	33,878
March 31, 2012							
Accounts payable and accrued liabilities	6,406	6,406	6,406	-	-	-	-
Loans and borrowings	19,887	42,192	16	567	1,133	5,092	35,384
	26,293	48,598	6,422	567	1,133	5,092	35,384

(d) 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 all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

23. Financial instruments (continued):

(d) Market risks (continued):

(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. Although the coupon rate on CPC's loan from CBT is fixed, the fair value of the loan is affected by interest rate changes. In addition, interest earned on other investments will fluctuate with short term interest rates. Therefore CPC is exposed to interest rate risk.

Sensitivity analysis:

An increase of 100 basis points in the interest rate will incite a $2.5 million (2012 - $2.5 million) decrease in the fair value of the loan and a decrease in the interest rate of 100 basis points would incite a $2.9 million (2012 – $3.0 million) increase.

(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. None of CPC's financial instruments values will change according to changes in market prices and therefore CPC is not exposed to price risk.

(e) Capital management:

CPC's capital management objectives are to:

- target a long-term capital structure with sufficient debt to finance the Waneta Expansion project as well as prudent reserves for an operating and construction contingency and future project development;
- finance the debt portion of the capital structure with fixed rate, longer term debt approximately matching the term of relevant power sales agreements in its equity accounted investments; and
- maintain investment grade credit ratings to support continued access to cost effective capital.

These objectives were accomplished through the ALPC Series B $350 million project bond issue in April 2011.

CPC's capital consists of shareholder's equity plus loans and borrowings.

Neither CPC, nor any of its equity accounted investments, are subject to externally imposed capital requirements.

23. Financial instruments (continued):

(f) Fair values:

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

($ in thousands)	2013		2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at amortized cost				
Accounts receivable	1,142	1,142	6,505	6,505
Liabilities carried at amortized cost				
Accounts payable and accruals	4,379	4,379	6,406	6,406
Loans and borrowings	19,891	23,588	19,887	23,592
	24,270	27,967	26,293	29,998

Management estimates that the carrying amounts for accounts receivable and accounts payable approximate their carrying values.

Management has made the following assumptions in determining the fair value of loans and borrowings:

- the discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable; and
- basing the interest rate used to discount estimated cash flows on the promissory note outstanding on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2013, management selected an interest rate of 4.4% (4.5% - March 31, 2012)

23. Financial instruments (continued):

(f) Fair values (continued):

CPC's financial instruments carried at fair value, by valuation method are classified into different levels which are defined as follows:

- 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 (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2013				
Financial assets held for trading	90,627			90,627
March 31, 2012				
Financial assets held for trading	100,051			100,051

24. Operating leases:

CPC has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of $167,000 per year. The initial lease term was for 10 years (6 years remaining as at March 31, 2013). The lease has a renewal period of 10 years at fair market rents at the option of CPC.

The office premise lease was entered into as a combined lease of land and building. It was determined that substantially all the risks and rewards of the building reside with the landlord. As such, CPC determined that the lease is an operating lease.

During the year ended March 31, 2013, an amount of $189 thousand (2012 - $191 thousand) was recognized as an expense in profit or loss in respect of operating leases. These expenditures are considered related party transactions and included in “Purchases from related party” in note 27.

Non-cancellable minimum operating lease rentals are payable as follows:

($ in thousands)	**2013**	**2012**
Less than 1 year	148	148
Between 1 and 5 years	798	778
More than 5 years	-	167
	946	1,093

Note: the difference between the annual operating lease expense and the minimum operating lease payments is due to maintenance costs charged by the lessor as per terms of the operating lease agreement.

25. Commitments:

CPC has provided a payment guarantee to the Waneta Expansion design-build contractor, SNC-Lavalin Inc.

Under the Limited Partnership Agreement, CPC Waneta has committed to fund its 32.5% share of the Partnership’s obligation to carry out the Waneta Expansion project.

26. Contingencies:

(a) Contingent liabilities:

CPC's operating and development power project 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. Under current regulations, the shareholders are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

(b) Contingent asset (in equity accounted joint arrangement):

As a result of outages and repair costs incurred due to equipment reliability issues since commencement of operations at the Brilliant Expansion power facility, management entered into negotiations with the design-build contractor in fiscal 2013 for a settlement to recover BEPC's costs. By March 31, 2013, the design-build contractor had made an offer of $1.2 million to BEPC. Conclusion of the negotiation process is contingent on BEPC's board of directors' acceptance of the terms of the offer and authorization for management to proceed with effecting a formal settlement.

27. Related parties and related party transactions:

(a) Parent company:

CPC is related through common ownership to its joint ventures with CBT. 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; CBT and its affiliates; the Province; the joint ventures; and WELP. All related party transactions are at market rates, except for certain transactions with the joint ventures and WELP which are determined on a cost recovery basis. The subsidiary and joint ventures stated in notes 5, 6, 7 and 8 are related parties to CPC. All intercompany balances and transactions between CPC and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between CPC and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between CPC and related parties which have not been eliminated are summarized in the following tables:

27. Related parties and related party transactions (continued):

(b) Due from and sales to related parties:

($ in thousands)	2013		2012	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	-	3,384	4,776	-
BEPC*	145	1,455	172	1,727
ALPC*	188	1,306	148	1,195
BPC*	99	825	94	904
WELP	637	1,816	1,238	1,833
	1,069	8,786	6,428	5,659

* Comparative figures have been included to conform to current year presentation.

The Due from Related Party of $1,069 thousand at March 31, 2013 (2012 - $6,428 thousand) is included in the “Accounts receivable” line item in the Consolidated Statement of Financial Position. The Sales to WELP of $1,816 thousand for the year ended 2013 (year ended 2012 - $1,833 thousand) are included in the “Revenue” line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2013, CPC as the project manager for BC Hydro of the Arrow Lakes Boat Launch project charged BC Hydro on a cost recovery basis for staff compensation relating to project management and stakeholder relations, and for payment of 3rd party invoices relating to the construction of the Arrow Lakes boat launches. The total amount recovered for fiscal 2013 of $3,384 thousand has been included in the “Administration and management” line item in note 20 – Other expenses.

During the year, CPC as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for fiscal 2013 of $3,586 thousand (2012 - $3,826 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

27. Related parties and related party transactions (continued):

(c) Due to and purchases from related parties:

($ in thousands)	2013		2012	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	986	-	4,776	-
CBT and affiliates	621	1,636	716	1,810
Province*	150	332	144	242
BC Pension Corp	179	363	185	304
	1,936	2,331	5,821	2,356

* Comparative figures have been included to conform to current year presentation.

The Due to Related Party of $1,936 thousand at March 31, 2013 (2012 - $5,821 thousand) is included in the “Accounts payable” line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $2,331 thousand for the year ended 2013 (year ended 2012 - $2,356 thousand) are included in the Finance costs” line item on the Consolidated Statement of Comprehensive Income, the “Property, plant, & equipment” line item on the Consolidated Statement of Financial Position, and the “Administration and management” line item in Other expenses – note 20.

(d) Pension plan:

CPC has a pension plan which is a related party by virtue of IAS 24, Related Party Disclosures. Refer to note 21 for detailed information on the transactions with the pension plan.

(e) Loan from related party:

At March 31, 2012 and 2013, CPC has a promissory note outstanding payable to CBT Energy Inc. Details of this promissory note are provided in note 14.

27. Related parties and related party transactions (continued):

(f) Executive management compensation and board compensation:

(i) Executive management compensation:

CPC is organized into business units and support functions. The managers of these units report to the corporate management, which comprises of the President and Chief Executive Officer, the Chief Operating Officer, the Vice President, Capital Projects, the Vice President, Business Development, the Vice President, Human Resources & Corporate Services, the Director, Finance, and the Corporate Secretary.

Each of the members of the corporate management has a bonus scheme which can give them an annual payment of up to 10% of base salary. The bonus is paid on the basis of achieving corporate and individually specified objectives. Bonuses accrued at the end of each fiscal year and paid in the subsequent year are shown in note 13.

In addition to their salaries, CPC provides non-cash benefits to directors and executive officers, and contributes to the PSPP on behalf of executives (see note 21). In accordance with the terms of the plan, executive officers are entitled to receive annual payments equivalent to 2 percent of their highest 5 year average salary times their number of years of service from the date of retirement until death.

Upon resignation at CPC's request, they are entitled to termination benefits up to 18 months' gross salary, depending on the number of years of service.

Pension and other benefits paid on behalf of executive management by CPC are as follows:

For the year ended March 31 **($ in thousands)**	**2013**	**2012**
Public Service Superannuation Plan	91,069	62,047
Standard Benefits	63,144	45,908
	154,213	107,955

27. Related parties and related party transactions (continued):

(f) Executive management compensation and board compensation (continued):

(i) Executive management compensation (continued):

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ending March 31, 2013 amounted to $1,473 thousand (March 31, 2012 - $1,300 thousand) as follows:

Year ending March 31, 2013
Remuneration paid – Executive management

Name	Position	Salary	Bonus	Other	Expenses	Total
Bird, Jane	President & CEO	249,996	-	30,000	47,560	327,556
Wszelaki, Frank	Chief Operating Officer	177,019	9,015	14,365	22,938	223,337
Ambrosone, Giulio	VP, Capital Projects	182,093	16,246	14,531	1,082	213,952
Hirji, Karim	VP, Business Development	143,355	-	34,614	29,828	207,797
Victor Jmaeff	Chief Technical Officer	179,402	15,240	4,721	14,632	213,995
de Git, David	Director, Finance	136,732	12,283	8,443	5,883	163,341
Martin, Debbie	VP, Human Resources & Corporate Services	69,038	10,554	8,529	2,195	90,316
Rose, Don	Corporate Secretary	32,768	-	-	431	33,199
		1,170,403	$63,338	115,203	124,549	1,473,493

Year ending March 31, 2012
Remuneration paid – Executive management

Name	Position	Salary	Bonus	Other	Expenses	Total
Bird, Jane	President & CEO	229,164	-	27,500	64,617	321,281
Wszelaki, Frank	Chief Operating Officer	99,944	-	10,000	28,487	138,431
Ambrosone, Giulio	VP, Capital Projects	186,302	15,034	19,557	3,125	224,018
Jmaeff, Victor	Chief Technical Officer	186,302	14,872	23,068	20,938	245,180
de Git, David	Director, Finance	139,581	11,290	16,466	11,600	178,937
Martin, Debbie	VP, Human Resources & Corporate Services	124,667	12,459	6,692	11,273	155,091
Rose, Don	Corporate Secretary	35,782	-	-	1,134	36,916
		1,001,742	53,655	103,283	141,174	1,299,854

27. Related parties and related party transactions (continued):

(f) Executive management compensation and board compensation (continued):

(ii) Board compensation:

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ending March 31, 2013 was $88 thousand (year ending March 31, 2012 - $82 thousand) as follows:

Year ending March 31, 2013
Members of the Board of Directors

Name	Position	Retainers	Meeting Fees	Expenses	Total
Doney, Lee	Chair, Board	15,000	3,750	3,651	22,401
Deck, Gregory	Member, Board	9,500	4,000	2,945	16,445
White, Lillian	Member, Board	10,500	3,000	95	13,595
Stanley, Tim	Member, Board	9,500	2,000	557	12,057
Deane, Kim	Member, Board	5,625	3,250	2,396	11,271
Newton, Tim	Member, Board	5,625	3,000	524	9,149
Miles, Ron	Member, Board	1,875	500	251	2,626
		57,625	19,500	10,419	87,544

Year ending March 31, 2012
Members of the Board of Directors

Name	Position	Retainers	Meeting Fees	Expenses	Total
Doney, Lee	Chair, Board	15,000	3,750	5,244	23,994
Deck, Gregory	Member, Board	9,000	3,750	3,107	15,857
White, Lillian	Member, Board	10,500	3,250	1,809	15,559
Stanley, Tim	Member, Board	9,500	3,250	1,286	14,036
Miles, Ron	Member, Board	7,500	3,250	1,659	12,409
		51,500	17,250	13,105	81,855