

# Consolidated Financial Statements

2013/14



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## Responsibility for Financial Reporting

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian public sector accounting standards and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by the Trust's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, KPMG, Chartered Accountants, have been appointed by the Trust's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian public sector accounting standards. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements. The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



Neil Muth  
President and CEO



Christine Lloyd  
Director, Finance and Operations



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## Independent Auditors' Report

To the Directors of Columbia Basin Trust:

To the Minister of Energy and Mines:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise of the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, changed in accumulated surplus, remeasurment gains and losses, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Columbia Basin Trust as at March 31, 2014 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants

June 14, 2014  
Burnaby, Canada

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in thousands)

<b>AS AT MARCH 31</b>	<b>2014</b>	<b>2013</b>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,479	\$ 1,117
Accrued interest and other assets (Note 3)	2,111	1,473
Short-term investments (Note 4)	47,717	69,577
Market securities (Note 5)	26,970	23,619
Loan receivable (Note 6)	20,000	20,000
Private placements - commercial loans (Note 7)	24,224	21,418
Private placements - commercial investment (Note 8)	3,000	3,000
Private placements - real estate investments (Note 9)	6,667	7,102
Investment in Waneta Expansion Limited Partnership (Note 10)	98,642	81,647
Investment in power projects (Note 11)	199,858	203,033
	<u>433,668</u>	<u>431,986</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,090	558
Long-term debt (Note 12)	1,029	1,056
Delivery of Benefits initiatives liabilities (Note 13)	22,725	24,274
	<u>24,844</u>	<u>25,888</u>
Net Financial Assets	408,824	406,098
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	61	49
Tangible capital assets (Note 14)	5,761	4,772
	<u>5,822</u>	<u>4,821</u>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 414,646</b>	<b>\$ 410,919</b>
Accumulated Surplus is comprised of:		
Accumulated Surplus	\$ 412,115	\$ 410,359
Accumulated Remeasurement Gain	2,531	560
	<u>\$ 414,646</u>	<u>\$ 410,919</u>

**COMMITMENTS (Note 17) and SUBSEQUENT EVENTS (Note 23)**

Approved on behalf of the Board of Directors:



Greg Deck  
Chair



Amed Naqvi  
Chair, Finance and Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>Budget</b>	<b>2014</b>	<b>2013</b>
	<b>(Note 22)</b>		
<b>REVENUES</b>			
Power projects (Note 11)	\$ 20,782	\$ 22,825	\$ 19,734
Market securities	700	1,380	611
Short-term investments	900	1,208	1,613
Loan income	1,134	1,135	1,130
Private placements - commercial loans	1,140	1,121	925
Private placements - real estate investments (Note 9)	921	886	818
Broadband operations	-	292	400
Recoveries (Note 18)	350	382	367
Rental revenue (Note 15)	-	124	52
	<b>25,927</b>	<b>29,353</b>	<b>25,650</b>
<b>EXPENSES</b>			
Community initiatives	9,259	9,782	5,508
Economic initiatives	3,404	7,018	2,779
Water and Environment initiatives	4,843	4,949	7,518
Social initiatives	3,953	2,058	5,841
Broadband initiatives	285	1,234	558
Youth initiatives	2,296	1,281	1,867
Other initiatives	1,082	764	401
Investment initiatives	543	511	531
	<b>25,665</b>	<b>27,597</b>	<b>25,003</b>
Private placements - impairment loss (Note 8)	-	-	(1,400)
<b>ANNUAL SURPLUS/(DEFICIT)</b>	<b>\$ 262</b>	<b>\$ 1,756</b>	<b>\$ (753)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2014</b>	<b>2013</b>
Accumulated remeasurement gain/(loss), beginning of year	\$ 560	\$ (538)
Unrealized gain on market securities	1,971	1,098
<b>ACCUMULATED REMEASUREMENT GAIN, end of year</b>	<b>\$ 2,531</b>	<b>\$ 560</b>

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**CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2014</b>	<b>2013</b>
Accumulated surplus, beginning of year, as previously reported	\$ 410,359	\$ 430,561
Adoption of government transfers standard adjustment	-	(19,449)
Accumulated surplus, beginning of year, restated	410,359	411,112
Annual surplus/(deficit)	1,756	(753)
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 412,115</b>	<b>\$ 410,359</b>

The accompanying notes are an integral part of these consolidated financial statements.

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>Budget</b>	<b>2014</b>	<b>2013</b>
	<b>(Note 24)</b>		
<b>ANNUAL SURPLUS/(DEFICIT)</b>	\$ 262	\$ 1,756	\$ (753)
Acquisition of prepaid expenses	-	(61)	(49)
Use of prepaid expenses	-	49	24
Acquisition of tangible capital assets	-	(1,674)	(2,340)
Amortization of tangible capital assets	425	685	474
	425	(1,001)	(1,891)
Effect of remeasurement gain	-	1,971	1,098
Change in Net Financial Assets	687	2,726	(1,546)
NET FINANCIAL ASSETS, beginning of year, as previously reported	406,098	406,098	427,093
Adjustments due to adoption of government transfers standard	-	-	(19,449)
NET FINANCIAL ASSETS, beginning of year, restated	406,098	406,098	407,644
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$ 406,785</b>	<b>\$ 408,824</b>	<b>\$ 406,098</b>

The accompanying notes are an integral part of these consolidated financial statements.



**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands)

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES</b>		
Cash received from private placements - commercial loans	\$ 1,173	\$ 836
Cash received from broadband operations	282	367
Cash received from short-term investments	1,218	1,632
Cash received from market securities	1,380	611
Cash received from loan receivable	1,135	1,130
Cash received from tenants	433	373
Cash paid for operating expenses	(6,277)	(5,899)
Cash paid for Delivery of Benefits obligations	(22,224)	(14,704)
	<u>(22,880)</u>	<u>(15,654)</u>
<b>CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES</b>		
Investment in Waneta Expansion Limited Partnership	(16,995)	(19,660)
Purchase of short-term investments and market securities	(233,273)	(157,892)
Redemption of short-term investments and market securities	253,753	176,329
Issuance of commercial loans	(8,726)	(10,367)
Repayment of commercial loans	5,900	2,723
Cash assumed on conversion of CBBC from modified equity to consolidation	-	677
Dividends received from real estate investments	1,320	1,281
Dividends received from power projects investments	26,000	22,550
	<u>27,979</u>	<u>15,641</u>
<b>CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	(1,674)	(1,781)
<b>CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	-	1,065
Repayment of debt	(63)	(21)
	<u>(63)</u>	<u>1,044</u>
<b>INCREASE/(DECREASE) IN CASH</b>	<b>3,362</b>	<b>(750)</b>
<b>CASH, beginning of year</b>	<b>1,117</b>	<b>1,867</b>
<b>CASH, end of year</b>	<b>\$ 4,479</b>	<b>\$ 1,117</b>

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

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### 1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (the Trust) is a corporation established by the *Columbia Basin Trust Act*. The purpose of the Trust is to manage its assets for the ongoing economic, social and environmental well-being of the Columbia Basin (Basin) region. The sole share of the Trust is held by the Minister of Finance on behalf of the Province of BC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The consolidated financial statements of the Trust have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

#### (b) Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of all organizations controlled by the Trust. Government business partnerships (GBP) are accounted for using the modified equity method. Other government organizations (OGO) and government partnerships (GP) are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated for OGO's and GP's.

Under the modified equity method, only the Trust's percentage investment in the GBP, and the net income and other changes in equity are recorded. No adjustment is made for accounting policies that are different from those of the Trust.

The Trust's government business partnerships with interest in power projects consist of the following entities:

- Arrow Lakes Power Corporation (ALPC) – 50% interest
- Brilliant Power Corporation (BPC) – 50% interest
- Brilliant Expansion Power Corporation (BEPC) – 50% interest
- Waneta Expansion Power Corporation (WEPC) – 42% interest

The Trust's government business partnerships with interest in real estate consist of the following entities:

- Castle Wood Village – 50% interest
- Columbia Village – 50% interest
- Crest View Village – 50% interest
- Garden View Village – 50% interest
- Joseph Creek Village – 50% interest
- Lake View Village – 50% interest
- Mountain Side Village – 50% interest
- Rocky Mountain Village – 50% interest

#### (c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

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The cost, less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the expected useful lives as follows:

	<b>Years</b>
New buildings	30
Leasehold improvements	5 - 8
Office furniture and equipment	5
Server hardware and software	3 - 7
Workstation hardware	3
Fibre optics	25

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to the Trust's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

### **(d) Revenue recognition**

Revenues are recognized in the period in which the transaction or event occurs that gives rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers to the Trust are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

### **(e) Expenses**

Expenses are reported on an accrual basis when the goods have been received or the services have been provided. The cost of all goods consumed and services received during the year is expensed.

Expenses are classified by function on the statement of operations. The Trust allocates administration costs by identifying an appropriate basis of allocating and applying that basis consistently each year.

Government transfers are recognized in the consolidated financial statements in the period in which the amounts of the transfers are authorized and any eligibility criteria have been met by the recipient.

### **(f) Taxes**

The Trust and its wholly owned subsidiaries are exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. The Trust is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

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### (g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

### (h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. The Trust measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

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Transaction costs are expensed for financial instruments measured at fair value.

The Trust has designated its financial instruments as follows:

**i. Cash**

Cash includes cash in the bank and is measured at fair value. The Trust presents its Statement of Cash Flows using the direct method.

**ii. Short-term investments**

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

**iii. Market securities**

Equity and debt investments quoted in an active market are reported at fair value. The Trust invests in long-term investments through pooled fund products managed by the British Columbia Investment Management Corporation, a corporation established under the *Public Sector Pension Plans Act*. The Trust has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

**iv. Investment in Waneta Expansion Limited Partnership**

The Trust accounts for its investment in Waneta Expansion Limited Partnership (WELP) as a portfolio investment and it is measured on a cost basis.

**v. Private placements and loans receivable**

Investments in commercial loans or loans receivable are recorded at amortized cost less any amount for impairments. Impairment losses are recorded to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Impairments are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Commercial investments that have an equity interest are accounted for as portfolio investments and are measured at cost, less any amounts written off to reflect a permanent decline in value.

**vi. Debt and other financial assets and financial liabilities**

Debt, accrued interest and other assets and accounts payable and accrued liabilities are measured at amortized cost and are recorded at amortized cost using the effective interest method.

**(i) Employee future benefits**

The Trust and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, the Trust's contributions are expensed as paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

Non-vesting sick leave benefits accrue to the Trust's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The liability related to these benefits was actuarially determined based on length of service, best estimate of retirement ages and expected future salary and wage increases. The liability is accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits.

### (j) Measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Significant estimates include assumptions used for recording general loan loss provisions and for identifying any impairment for the Trust's investment in WELP.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

### 3. ACCRUED INTEREST AND OTHER ASSETS

Accrued interest and other assets consist of accrued interest on short-term investments and recoveries for management and information technology services.

### 4. SHORT-TERM INVESTMENTS

Short-term investments consist of a portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation and are allocated as follows:

	Fair value hierarchy level	2014	2013
Term securities: measured at amortized cost	-	\$ 41,677	\$ 48,687
Pooled fund investments: measured at fair value	1	6,040	20,890
		\$ 47,717	\$ 69,577

### 5. MARKET SECURITIES

The Trust has a diversified securities portfolio that includes short-term deposits, bond and equity funds, which is managed by the British Columbia Investment Management Corporation.

The Trust's investment in market securities measured at fair value is as follows:

	Fair value hierarchy level	2014	2013
Market value	1	\$ 26,970	\$ 23,619
Cost		\$ 23,893	\$ 22,513

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

Remeasurement gain on market securities:

	2014	2013
Opening market value	\$ 23,619	\$ 21,910
Purchases	1,380	611
	24,999	22,521
Ending market value	26,970	23,619
	\$ 1,971	\$ 1,098

### 6. LOAN RECEIVABLE

An unsecured \$20-million loan was advanced to Columbia Power in April 2011. Interest is payable semi-annually at the rate of 5.67% until April 2016, after which the loan will be repayable in 50 semi-annual payments of principal and interest. Accrued interest and other assets include \$568,000 of accrued interest on this loan to Columbia Power. See Note 23 - Subsequent Events.

### 7. PRIVATE PLACEMENTS – COMMERCIAL LOANS

The Trust provides commercial loans that are generally secured by real estate and currently have terms extending no further than 27 years.

Commercial loans are as follows:

	2014	2013
Commercial loans bearing interest from 3.9% to 8%	\$ 24,395	\$ 21,569
Less: general impairment loss	(171)	(151)
	\$ 24,224	\$ 21,418

### 8. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment is accounted for as a portfolio investment and measured at cost. In 2012/13, an impairment in the value of this investment occurred and a write down of \$1.4 million was recorded in the statement of operations. The new carrying value is deemed to be the new cost basis for this investment.

Commercial investment is as follows:

	2014	2013
Commercial investment	\$ 3,000	\$ 4,400
Less: specific impairment loss	-	(1,400)
	\$ 3,000	\$ 3,000

### 9. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

The Trust's real estate investments are comprised of 50% ownership interests in real estate investments throughout the Basin consisting of eight seniors housing facilities (see listing of joint ventures in Note 2). These investments are accounted for as investments in government business partnerships using the modified equity basis of accounting.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at March 31, 2014 and March 31, 2013

(in thousands)

Condensed supplementary financial information for private placements – real estate investments is as follows:

**(a) Financial position (at 50%):**

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2014</b>							
Castle Wood Village	\$ 122	\$ 4,348	\$ 4,470	\$ 195	\$ 3,711	\$ 3,906	\$ 564
Columbia Village	62	5,755	5,817	188	5,081	5,269	548
Crest View Village	37	4,761	4,798	163	4,067	4,230	568
Garden View Village	37	3,541	3,578	105	2,828	2,933	645
Joseph Creek Village	83	9,811	9,894	347	7,697	8,044	1,850
Lake View Village	47	5,975	6,022	132	4,613	4,745	1,277
Mountain Side Village	55	3,170	3,225	100	2,505	2,605	620
Rocky Mountain Village	44	3,264	3,308	122	2,591	2,713	595
	\$ 487	\$ 40,625	\$ 41,112	\$ 1,352	\$ 33,093	\$ 34,445	\$ 6,667

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2013</b>							
Castle Wood Village	\$ 96	\$ 4,540	\$ 4,636	\$ 170	\$ 3,891	\$ 4,061	\$ 575
Columbia Village	264	5,812	6,076	199	5,253	5,452	624
Crest View Village	48	4,964	5,012	156	4,209	4,365	647
Garden View Village	35	3,640	3,675	96	2,848	2,944	731
Joseph Creek Village	102	10,129	10,231	315	8,037	8,352	1,879
Lake View Village	35	6,182	6,217	126	4,735	4,861	1,356
Mountain Side Village	52	3,294	3,346	80	2,589	2,669	677
Rocky Mountain Village	31	3,403	3,434	115	2,706	2,821	613
	\$ 663	\$ 41,964	\$ 42,627	\$ 1,257	\$ 34,268	\$ 35,525	\$ 7,102

**(b) Investment in private placements – real estate (at 50%):**

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
<b>March 31, 2014</b>									
Opening balance	\$ 575	\$ 624	\$ 647	\$ 731	\$ 1,879	\$ 1,356	\$ 677	\$ 613	\$ 7,102
Dividends paid	(140)	(135)	(174)	(103)	(391)	(164)	(83)	(131)	(1,321)
Surplus	129	59	95	17	362	85	26	113	886
	\$ 564	\$ 548	\$ 568	\$ 645	\$ 1,850	\$ 1,277	\$ 620	\$ 595	\$ 6,667
<b>March 31, 2013</b>									
Opening balance	\$ 615	\$ 657	\$ 714	\$ 783	\$ 1,983	\$ 1,441	\$ 734	\$ 638	\$ 7,565
Dividends paid	(139)	(128)	(174)	(104)	(359)	(163)	(84)	(130)	(1,281)
Surplus	99	95	107	52	255	78	27	105	818
	\$ 575	\$ 624	\$ 647	\$ 731	\$ 1,879	\$ 1,356	\$ 677	\$ 613	\$ 7,102



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at March 31, 2014 and March 31, 2013

(in thousands)

**(c) Results of operations (at 50%):**

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2014</b>						
Castle Wood Village	\$ 525	\$ 198	\$ 1	\$ 197	\$ 396	\$ 129
Columbia Village	528	210	34	225	469	59
Crest View Village	560	236	24	205	465	95
Garden View Village	362	167	39	139	345	17
Joseph Creek Village	1,095	325	12	396	733	362
Lake View Village	545	246	-	214	460	85
Mountain Side Village	310	148	9	127	284	26
Rocky Mountain Village	374	121	-	140	261	113
	\$ 4,299	\$ 1,651	\$ 119	\$ 1,643	\$ 3,413	\$ 886

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2013</b>						
Castle Wood Village	\$ 526	\$ 229	\$ 1	\$ 197	\$ 427	\$ 99
Columbia Village	313	92	-	126	218	95
Crest View Village	559	243	2	207	452	107
Garden View Village	363	172	1	138	311	52
Joseph Creek Village	1,096	448	1	392	841	255
Lake View Village	545	252	1	214	467	78
Mountain Side Village	310	156	-	127	283	27
Rocky Mountain Village	374	129	-	140	269	105
	\$ 4,086	\$ 1,721	\$ 6	\$ 1,541	\$ 3,268	\$ 818

**(d) Non-current assets:**

The Trust's investment in real estate, comprised of seniors housing facilities, is as follows (at 50%):

	Land	Building	2014	2013
Operating facilities	\$ 2,728	\$ 48,613	\$ 51,341	\$ 48,215
Projects under development	-	-	-	2,844
Less: accumulated amortization	-	(10,716)	(10,716)	(9,094)
	\$ 2,728	\$ 37,897	\$ 40,625	\$ 41,965

**(e) Current and non-current liabilities:**

**i. Long-term debt**

Long-term debt consists of mortgage loans that are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 2.95% and 6.38% and will mature on different dates between June 2014 and March 2021. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

### ii. Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the original mortgage proceeds totaling \$33.2 million.

### (f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided a government grant to allow for subsidized suites at the Lake View Village, a seniors housing facility located in Nelson, BC. Under this agreement, Lake View Village received a forgivable loan in the amount of \$855,000 (the Trust's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, \$855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2014, the balance of the forgivable loan was \$855,000 (the Trust's share is 50%).

## 10. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holding Ltd. (32.5% interest), and Fortis Inc. (51% interest) formed a partnership to own and develop the Waneta Expansion Project.

The Waneta Expansion Project is a \$900-million hydroelectric development downstream from the Waneta Dam in Trail, BC. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to be completed in early 2015. The Trust invested a total of \$17 million in 2013/14 in the Waneta Expansion Project (2012/13 -\$19.7 million), to bring the Trust's total investment to \$98.6 million.

This investment is accounted for as a portfolio investment and is measured at cost.

	2014	2013
Investment in Waneta Expansion Limited Partnership	\$ 98,642	\$ 81,647

## 11. INVESTMENT IN POWER PROJECTS

The Trust's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power and these investments are accounted for as GBP's.

### (a) Arrow Lakes Power Corporation

CBT Arrow Lakes Power Development Corp. has a 50% ownership interest in the Arrow Lakes Power Corporation (ALPC). The purpose of the ALPC is to operate the 185-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

### (b) Brilliant Power Corporation

CBT Power Corp. has a 50% ownership interest in the Brilliant Power Corporation (BPC). The purpose of BPC is to operate the Brilliant Power Facility and Brilliant Terminal Station. The Brilliant Power Facility comprises Brilliant Dam and Generating Station, located on the Kootenay River three kilometres upstream from the confluence of the Columbia River. The Brilliant Terminal Station is a 230-kilovolt switchyard that interconnects Arrow Lakes

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

Generating Station, Brilliant Expansion and Brilliant Dam and Generating Station to the integrated BC transmission system.

### (c) Brilliant Expansion Power Corporation

CBT Brilliant Expansion Power Corp. has a 50% interest in the Brilliant Expansion Power Corporation (BEPC). The purpose of the BEPC is to operate Brilliant Expansion, a 120-megawatt power generation development adjacent to Brilliant Dam at Castlegar, BC.

### (d) Waneta Expansion Power Corporation

CBT Energy Inc. has a 42% interest in the Waneta Expansion Power Corporation (WEPC). The WEPC previously held legal title of assets related to the Waneta Expansion Project. In October 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to the Waneta Expansion Limited Partnership in exchange for a \$72-million non-interest bearing Promissory Note.

Condensed supplementary financial information for investment in power projects is as follows:

### (e) Financial position:

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2014</b>									
ALPC - 50%	\$ 11,591	\$ 119,145	\$ -	\$ 6,619	\$ 137,355	\$ 5,528	\$ 173,727	\$ 179,255	\$ (41,900)
BPC - 50%	7,656	-	153,611	5,344	166,611	6,573	58,192	64,765	101,846
BEPC - 50%	6,185	112,566	-	894	119,645	901	-	901	118,744
WEPC - 42%	-	-	-	21,168	21,168	-	-	-	21,168
	\$ 25,432	\$ 231,711	\$ 153,611	\$ 34,025	\$ 444,779	\$ 13,002	\$ 231,919	\$ 244,921	\$ 199,858
<b>March 31, 2013</b>									
ALPC - 50%	\$ 11,800	\$ 122,769	\$ -	\$ 8,719	\$ 143,288	\$ 5,324	\$ 173,681	\$ 179,005	\$ (35,717)
BPC - 50%	6,438	-	152,089	5,327	163,854	5,837	61,205	67,042	96,812
BEPC - 50%	6,672	115,056	-	888	122,616	715	-	715	121,901
WEPC - 42%	-	-	-	20,037	20,037	-	-	-	20,037
	\$ 24,910	\$ 237,825	\$ 152,089	\$ 34,971	\$ 449,795	\$ 11,876	\$ 234,886	\$ 246,762	\$ 203,033

### (f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
<b>March 31, 2014</b>					
Opening balance	\$ (35,717)	\$ 96,812	\$ 121,901	\$ 20,037	\$ 203,033
Dividends paid	(6,250)	(5,300)	(14,450)	-	(26,000)
Surplus	67	10,334	11,293	1,131	22,825
	\$ (41,900)	\$ 101,846	\$ 118,744	\$ 21,168	\$ 199,858
<b>March 31, 2013</b>					
Opening balance	\$ (30,100)	\$ 92,159	\$ 124,822	\$ 18,968	\$ 205,849
Dividends paid	(5,100)	(5,200)	(12,250)	-	(22,550)
(Deficit)/surplus	(517)	9,853	9,329	1,069	19,734
	\$ (35,717)	\$ 96,812	\$ 121,901	\$ 20,037	\$ 203,033

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

### (g) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	(Deficit)/ Surplus
<b>March 31, 2014</b>						
ALPC - 50%	\$ 18,919	\$ 9,709	\$ 5,519	\$ 3,624	\$ 18,852	\$ 67
BPC - 50%	21,099	4,982	5,750	33	10,765	10,334
BEPC - 50%	18,448	10	4,642	2,503	7,155	11,293
WEPC - 42%	1,131	-	-	-	-	1,131
	\$ 59,597	\$ 14,701	\$ 15,911	\$ 6,160	\$ 36,772	\$ 22,825
<b>March 31, 2013</b>						
ALPC - 50%	\$ 18,511	\$ 9,701	\$ 5,639	\$ 3,688	\$ 19,028	\$ (517)
BPC - 50%	20,692	5,190	5,616	33	10,839	9,853
BEPC - 50%	16,649	14	4,796	2,510	7,320	9,329
WEPC - 42%	1,069	-	-	-	-	1,069
	\$ 56,921	\$ 14,905	\$ 16,051	\$ 6,231	\$ 37,187	\$ 19,734

### (h) Non-current assets:

#### Promissory Note

The WEPC's non-current asset is a non-interest bearing Promissory Note 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, thereby making the Promissory Note's estimated repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of \$43 million (the Trust's portion was \$18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2014, the Trust's portion of the Promissory Note was \$21.2 million.

### (i) Non-current liabilities:

#### i. Long-term debt

BPC has long-term debt that consists of the following:

- Series "A" bonds bearing interest at 8.93%; and
- Series "B" bonds bearing interest at 6.86%; and
- Series "C" bonds bearing interest at 5.67%.

The bonds are redeemable 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, or 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%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

On April 5, 2011, ALPC issued \$350 million principal amount of Series "B" bonds with a coupon rate of 5.52%, which is due April 5, 2041. The Series "B" bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

Power project bonds are as follows (at 50%):

	<b>2014</b>	<b>2013</b>
Arrow Lakes bonds	\$ 175,000	\$ 175,000
Brilliant Dam bonds	62,287	65,193
	<u>237,287</u>	<u>240,193</u>
Less: financing costs	(2,238)	(2,400)
Less: current portion of long-term debt	(3,130)	(2,907)
	<u>\$ 231,919</u>	<u>\$ 234,886</u>

### (j) Contingencies

The Trust's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, the 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 venturers are required to meet performance standards to minimize or mitigate the 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.

## 12. LONG-TERM DEBT

The Trust has a term loan which is secured by a collateral mortgage over real estate. The net debt shown on the consolidated statement of financial position is measured at amortized cost and is comprised of the following:

	<b>2014</b>	<b>2013</b>
Demand loan bearing an interest rate at 3.27% per annum, maturing 2017	\$ 1,031	\$ 1,059
Deferred finance costs	(2)	(3)
	<u>\$ 1,029</u>	<u>\$ 1,056</u>

Scheduled principal repayments are estimated as follows:

2015	\$ 29
2016	30
2017	970
	<u>\$ 1,029</u>

## 13. DELIVERY OF BENEFITS

Delivery of Benefits refers to activities that the Trust undertakes in the region as it seeks to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Basin.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

	2014	2013
Funds authorized during the year	\$ 21,068	\$ 19,324
Funds rescinded/recovered	(393)	(795)
	20,675	18,529
Funds paid during the year	(22,224)	(14,704)
	(1,549)	3,825
Liabilities, beginning of year	24,274	20,449
Liabilities, end of year	\$ 22,725	\$ 24,274

Delivery of Benefits obligations are payable to various organizations in the fiscal years ending March 31 as follows:

2015	\$ 12,044
2016	7,395
2017	3,286
	\$ 22,725

### 14. TANGIBLE CAPITAL ASSETS

The Trust's tangible capital assets are as follows:

	Cost	Accumulated Amortization	2014	2013
Land	\$ 690	\$ -	\$ 690	\$ 690
Building	4,445	1,493	2,952	3,100
Leasehold improvements	735	666	69	86
Office furniture and equipment	569	527	42	39
Server hardware and software	1,735	924	811	295
Workstation hardware	291	282	9	33
Fibre optics	1,280	92	1,188	529
	\$ 9,745	\$ 3,984	\$ 5,761	\$ 4,772

Refer to Schedule A for supplementary financial information.

### 15. RENTAL REVENUE

The Trust receives rental revenue from two commercial properties located in Cranbrook, BC.

### 16. EXPENSES

In addition to the direct benefits provided to Basin communities, the Trust has also allocated administration services and costs to each major initiative area using an appropriate cost allocation methodology. In the case of the Trust's wholly owned subsidiary, Columbia Basin Broadband Corporation (CBBC), all administration costs are tracked separately and expensed directly to this initiative area.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

The following table lists the community benefits expensed, funding benefits that were recovered or rescinded, and the allocation of the Trust's administration services and costs to each major initiative area for 2013/14.

<b>CBT</b>	<b>Community Benefits</b>	<b>Benefits Recovered/Rescinded</b>	<b>Administration Allocation</b>	<b>Total Expenses</b>
Community initiatives	\$ 7,783	\$ (10)	\$ 2,009	\$ 9,782
Economic initiatives	6,830	(238)	426	7,018
Water and Environment initiatives	3,590	(99)	1,458	4,949
Social initiatives	1,674	-	384	2,058
Youth initiatives	660	(46)	667	1,281
Other initiatives	320	-	444	764
Investment initiatives	-	-	511	511
Broadband initiatives	211	-	-	211
	21,068	(393)	5,899	26,574
<b>CBBC</b>				
Broadband administration	1,023	-	-	1,023
	\$ 22,091	\$ (393)	\$ 5,899	\$ 27,597

The following comprises the Trust's and CBBC's expenses by object:

	<b>CBT</b>	<b>CBBC</b>	<b>Total</b>
<b>March 31, 2014</b>			
Amortization	\$ 438	\$ 247	\$ 685
Board and committee expenses	146	-	146
Communications	185	-	185
Corporate travel and meetings	189	30	219
Delivery of Benefits initiatives	20,464	211	20,675
Information technology	81	107	188
Network costs	-	239	239
Office and general	532	7	539
Professional fees	404	131	535
Staff remuneration and development	3,924	262	4,186
	\$ 26,363	\$ 1,234	\$ 27,597
<b>March 31, 2013</b>			
Amortization	\$ 390	\$ 84	\$ 474
Board and committee expenses	200	-	200
Communications	130	-	130
Corporate travel and meetings	218	21	239
Delivery of Benefits initiatives	18,529	-	18,529
Information technology	105	58	163
Network costs	-	200	200
Office and general	535	17	552
Professional fees	370	23	393
Staff remuneration and development	3,968	155	4,123
	\$ 24,445	\$ 558	\$ 25,003

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

### 17. COMMITMENTS

#### (a) The Trust Office

The Trust has entered into operating lease agreements for its office spaces with terms expiring at various dates in the future.

#### (b) Waneta Expansion Project

Over the next 1.5 years, the Trust, through CBT Waneta Expansion Power Corp. is committed to fund its 16.5% interest in the Waneta Expansion Project and is committed to funding \$5.7 million in 2014/15, and \$2 million in 2015/16.

### 18. RECOVERIES

The Trust charges Columbia Power for information technology support services and management services relating to jointly owned power project entities. Columbia Power also rents a portion of the Columbia Basin building owned by the Trust. These items are classified as recoveries on the statement of operations.

	2014	2013
Information technology systems	\$ 172	\$ 157
Management/contract services	59	59
Rental expense	151	151
	<u>\$ 382</u>	<u>\$ 367</u>

### 19. RELATED PARTY TRANSACTIONS

The Trust is related through common ownership of its jointly owned entities with Columbia Power. The Trust is also indirectly related through common ownership to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to possess commercial substance and are consequently recorded at their exchange amounts.

The Trust's portion of related party transactions in power projects and Joseph Creek Village are as follows:

Due from and sales to related parties:

	2014		2013	
	Due from related party	Sales to related party	Due from related party	Sales to related party
Columbia Power	\$ 709	\$ 1,752	\$ 636	\$ 1,676
Province of BC	2,199	-	1,926	-
BC Hydro	1,496	32,465	1,908	31,606
BEPC	94	739	188	712
Joseph Creek Village	1,968	159	2,040	132
	<u>\$ 6,466</u>	<u>\$ 35,115</u>	<u>\$ 6,698</u>	<u>\$ 34,126</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

Due to and purchases from related parties:

	2014		2013	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
Columbia Power	\$ 235	\$ 1,795	\$ 216	\$ 1,793
Province of BC	-	7,074	96	7,744
BC Hydro	7	238	10	180
BPC	94	739	188	712
Powerex	-	45	-	45
	\$ 336	\$ 9,891	\$ 510	\$ 10,474

### 20. PUBLIC SERVICE PENSION PLAN

The Trust and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP'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 as at March 31, 2011 indicated a \$275 million funding deficit for basic pension benefits. To maintain funding for the basic pension benefits, contribution rates to the basic account were increased by a total of 0.8% of salary. This increase was shared equally between members and employers and was effective April 2012. Contributions to the PSPP by the Trust in 2013/14 were \$262,000 (2012/13 - \$267,000). No provision, other than the Trust's required employer pension contributions, has been made in the accounts of the Trust for this liability. The next valuation date is scheduled for March 31, 2014 with results expected in fiscal 2015.

### 21. RISK MANAGEMENT

#### (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. The Trust extends credit within its commercial loans and investments. To mitigate the Trust's exposure to credit risk, an assessment of the credit worthiness of a borrower is carried out prior to the placement of a commercial loan or investment. The Trust's exposure to credit risk is as indicated by the carrying value of its commercial loans and investments. The maximum exposure to credit risk at March 31 was:

	2014	2013
Accrued interest and other assets	\$ 2,111	\$ 1,473
Commercial loans	\$ 24,224	\$ 21,418
Commercial investment	\$ 3,000	\$ 3,000

#### (b) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014 and March 31, 2013

(in thousands)

when they become due. The Trust considers that it has sufficient liquidity to meet its financial obligations. The maximum exposure to liquidity risk at the reporting date was:

	<b>2014</b>	<b>2013</b>
Accounts payable and accrued liabilities	\$ 1,090	\$ 558
Long-term debt	\$ 1,029	\$ 1,056
Delivery of Benefits liabilities	\$ 22,725	\$ 24,274

### (c) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

#### 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. The Trust is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. The Trust's short-term investments and commercial loans are subject to variable interest rates.

Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by \$442,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by \$272,000.

#### iii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market. As the Trust's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

	<b>2014</b>	<b>2013</b>
Market securities	\$ 26,970	\$ 23,619

## 22. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the Trust's annual budget approved by the Board of Directors in January 2013.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at March 31, 2014 and March 31, 2013

*(in thousands)*

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### **23. SUBSEQUENT EVENTS**

On April 14, 2014, Columbia Power repaid the full principal amount, plus accrued interest, of its unsecured loan with the Trust.

### **24. COMPARATIVE FIGURES**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at March 31, 2014 and March 31, 2013

(in thousands)

**Schedule A: Tangible capital assets supplementary financial information**

	Land	Building	Leasehold Improve- ments	Office Furniture and Equipment	Server Hardware and Software	Work- Station Hardware	Fibre Optics	Total
<b>March 31, 2014</b>								
<b>Cost</b>								
Opening balance	\$ 690	\$ 4,445	\$ 713	\$ 550	\$ 861	\$ 286	\$ 570	\$ 8,115
Additions	-	-	22	19	918	5	710	1,674
Disposals	-	-	-	-	(44)	-	-	(44)
	690	4,445	735	569	1,735	291	1,280	9,745
<b>Accumulated amortization</b>								
Opening balance	-	(1,345)	(627)	(511)	(566)	(253)	(41)	(3,343)
Additions	-	(148)	(39)	(16)	(402)	(29)	(51)	(685)
Disposals	-	-	-	-	44	-	-	44
	-	(1,493)	(666)	(527)	(924)	(282)	(92)	(3,984)
	\$ 690	\$ 2,952	\$ 69	\$ 42	\$ 811	\$ 9	\$ 1,188	\$ 5,761
<b>March 31, 2013</b>								
<b>Cost</b>								
Opening balance	\$ 205	\$ 3,470	\$ 637	\$ 530	\$ 632	\$ 268	\$ -	\$ 5,742
Additions	485	975	76	20	271	20	570	2,417
Disposals	-	-	-	-	(42)	(2)	-	(44)
	690	4,445	713	550	861	286	570	8,115
<b>Accumulated amortization</b>								
Opening balance	-	(1,213)	(590)	(472)	(340)	(221)	-	(2,836)
Additions	-	(132)	(37)	(39)	(268)	(34)	(41)	(551)
Disposals	-	-	-	-	42	2	-	44
	-	(1,345)	(627)	(511)	(566)	(253)	(41)	(3,343)
	\$ 690	\$ 3,100	\$ 86	\$ 39	\$ 295	\$ 33	\$ 529	\$ 4,772