COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and 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, policies and procedures which are designed 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 management 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.

Lorne Sivertson	Randall G. Smith
President	Comptroller

May 14, 2004

Report of the Auditor General of British Columbia

To the Shareholder of Columbia Power Corporation, and

To the Minister of Energy and Mines,
Province of British Columbia:

I have audited the consolidated balance sheet of Columbia Power Corporation as at March 31, 2004 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 14, 2004

Wayne Strelioff, FCA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

($ in thousands)

	2004	2003
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	$ 30,306	$ 16,493
Accounts receivable and unbilled revenue	5,919	5,322
Inventories (Note 4)	1,043	1,103
Prepaid expenses and deposits	1,491	1,259
	38,759	24,177
Capital assets (Note 5)	243,647	235,336
Other assets		
Due from joint venture partner (Note 6)	50,000	102,876
Hydroelectric power expansion rights (Note 7)	25,925	25,925
Deferred costs (Note 8)	50,926	14,767
Power sales right (Note 9)	10,354	11,268
Deferred debt issue costs (Note 10)	2,702	605
	139,907	155,441
	$ 422,313	$ 414,954

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
($ in thousands)

	2004	2003
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 9,356	$ 10,591
Short-term loan	-	47,254
Dividend payable	2,000	2,000
Interest payable on long-term bonds	2,768	1,656
Current portion of long-term bonds (Note 13)	4,163	857
Due to related parties	226	344
	18,513	62,702
Deferred revenue	626	649
Long-term bonds (Note 13)	103,501	58,192
Equity		
Contributed surplus (Note 16)	276,065	276,065
Retained earnings	23,608	17,346
	299,673	293,411
	$ 422,313	$ 414,954

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2004	2003
REVENUES		
Sale of power	$ 28,081	$ 44,650
Transmission facility revenue	784	-
Interest	584	271
Management fee	524	429
	29,973	45,350
EXPENSES		
Water rentals	3,531	2,395
Amortization of capital assets in service	5,932	4,887
Amortization of power sales right	914	108
Property tax	960	855
Operations and maintenance	1,384	1,128
Provision for BC corporation capital tax	6	49
Administration and management	1,572	1,224
Insurance	513	394
Community sponsorship	72	75
Development costs expensed	19	548
Loss on disposal of fixed assets	58	-
Power sales revenue sharing	-	14,890
	14,961	26,553
INCOME FROM OPERATIONS	15,012	18,797
FINANCE CHARGES		
Interest on project bonds	6,530	5,015
Bank charges and interest	80	318
Amortization of deferred debt issue costs	140	26
	6,750	5,359
NET INCOME FOR THE YEAR	$ 8,262	$ 13,438

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31
($ in thousands)

		2004		2003
RETAINED EARNINGS - beginning of year	$	17,346	$	5,908
Add: Net income		8,262		13,438
Deduct: Dividend declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year	$	23,608	$	17,346

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2004	2003
OPERATING ACTIVITIES:		
Net income for the year	$ 8,262	$ 13,438
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	5,932	4,887
Amortization of deferred debt issue costs	140	26
Amortization of power sales right	914	108
Development costs expensed	-	458
Loss on disposal of fixed assets	58	-
Net change in non-cash working capital balances	(1,032)	4,833
	14,274	23,750
FINANCING ACTIVITIES:		
Issue of Series A Arrow Lakes Project Bonds	50,000	-
Proceeds of short-term loans	-	33,763
Repayment of short-term loans	(47,254)	(50,000)
Dividends paid	(2,000)	(2,000)
Deferred debt issue costs	(2,237)	(36)
Principal repayment of Project Bonds	(1,386)	(790)
	(2,877)	(19,063)
INVESTING ACTIVITIES:		
Repayment from joint venture partner	52,876	32,561
Deferred costs	(37,314)	(6,853)
Additions to Brilliant power facility and terminal station	(11,894)	(9,325)
Additions to ALGS power facility	(1,140)	(10,240)
Purchase of furniture, equipment, vehicles and land	(112)	(183)
	2,416	5,960
INCREASE IN CASH AND EQUIVALENTS	13,813	10,647
CASH AND EQUIVALENTS - BEGINNING OF YEAR	16,493	5,846
CASH AND EQUIVALENTS - END OF YEAR	$ 30,306	$ 16,493
CASH AND EQUIVALENTS CONSISTS OF:		
Restricted cash and temporary investments	9,812	9,576
Cash and temporary investments available for operations	20,494	6,917
	$ 30,306	$ 16,493

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and Financing

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

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

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

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

(b) Power Project Planning

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

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

(c) Brilliant Power Facility and Brilliant Terminal Station

In 1996, CPC and CBT Power entered into the Columbia Basin Power Company (CBPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of acquiring and operating the Brilliant power facility and related assets.

Brilliant Power Corporation (formerly known as Brilliant Power Funding Corporation) was established to hold legal title to the Brilliant power facility and related assets as well as to issue Brilliant Project Bonds as agent and nominee for CPC and CBT Power. The rights to the use and enjoyment of the Brilliant power facility, Brilliant terminal station and related assets were assigned to CBPC.

Under the Agreement, the Venturers specify that, unless otherwise agreed by them, their liabilities and obligations under CBPC's agreements are to be several and equal to their participating interest in CBPC. The Venturers cannot use their CBPC participating interest as security for indebtedness.

(d) Arrow Lakes Generating Station

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

Prior to July 1, 2003, the rights to the use and enjoyment of the Arrow Lakes Generating Station and transmission line were dedicated to Arrow Lakes Power Company, an unincorporated joint venture of CPC and CBT Arrow Lakes. Effective July 1, 2003, all assets of Arrow Lakes Power Company, including these rights, were transferred to Arrow Lakes Power Corporation (formerly known as Arrow Lakes Power Development Corporation).

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation (a subsidiary of CBT Energy). The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW, $205 million power generation development adjacent to the Brilliant Dam at Castlegar, British Columbia.

(f) Significant Agreements

(i) Entitlement Agreements

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

(ii) Brilliant Power Purchase Agreement

Under the Brilliant Power Purchase Agreement, Aquila Networks Canada (British Columbia) (ANC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by ANC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with ANC, there will be an annual market-related price adjustment. Additional revenues are received for power entitlement attributable to the effect of turbine upgrades together with regulated water flows. ANC purchases the Brilliant power facility upgrades regulated entitlement power at a price equal to the greater of $26 per megawatt-hour and ANC's cost of purchasing power from BC Hydro.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

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

(iv) Powerex Backstop Agreement

This agreement with Powerex Corp. (Powerex, a subsidiary of BC Hydro) provides for Powerex to purchase the Brilliant Entitlement if CBPC terminates the Brilliant Power Purchase Agreement by reason of default by ANC, ensuring that operational and maintenance costs can be paid and a return on capital is earned.

(v) Management Agreements

CBPC

Under the Brilliant Management Agreement, ANC operates and manages the Brilliant power facility on behalf of CBPC. The management fee and other amounts payable under the Agreement form part of operational and maintenance costs recovered under the Brilliant Power Purchase Agreement (Note 1(f)(ii)).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from CBPC and ANC who must unanimously approve all expenditures relating to the Brilliant power facility. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under a Management Agreement, Aquila Networks British Columbia (ANBC - the unregulated parent company of ANC) operates and manages ALGS on behalf of ALPC.

(vi) Design-Build Contract - ALGS

In 1998, ALPC entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. (PKS) for the construction of ALGS. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees.

(vii) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. Under the contract, the powerplant is scheduled to be completed by the summer of 2006. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

(viii) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average MWs from ALGS to BC Hydro during the period January 1, 2003 to December 31, 2014. ALPC intends to use the power under the Entitlement Agreement to meet its obligations under the contract.

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

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average MWs from the Brilliant Expansion to BC Hydro for a 20 year period starting August 2006.

(g) Columbia Basin Initiative Restructuring

In 2001, the Province signed an option agreement granting CBT Energy the right to acquire 100% of the outstanding shares of CPC at a price equal to the greater of CPC’s equity book value and market value. The option expires in July 2005.

In January 2004, the Minister of Energy and Mines announced changes to be made to the Columbia Basin Initiative. The Minister's direction to the Trust and CPC included the Province’s intention to transfer the shares of CPC to the Trust, and to amalgamate CPC, CBT Energy and its subsidiaries into a single power company with a separate expert Board of Directors. A new agreement between the Province and the Trust will replace a number of existing arrangements between the parties, including the 1995 Financial Agreement, an Agency Agreement between the Province and CPC, and the 2001 Option Agreement.

2. Significant Accounting Policies

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

(a) Consolidated Financial Statements

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

(b) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Brilliant Power Facility and Brilliant Terminal Station

The Brilliant power facility is recorded at cost and is amortized on a straight-line basis over 60 years consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Capital additions to the Brilliant power facility and the Brilliant terminal station are recorded at cost and amortized on a straight-line basis over 30 years consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement and the FIIA. Upgrades capital expenditures are amortized on a straight-line basis over the remaining term of the 60 year Brilliant Power Purchase Agreement, which provides recovery of upgrades capital expenditures over the same period.

(ii) Arrow Lakes Generating Station

Capital assets are recorded at cost and depreciated over their expected useful lives. The expected useful lives, in years, are:

Powerplant	11 - 77
Transmission	33 - 100

(iii) CPC Offices and Equipment

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

(d) Deferral of Power Project Costs

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

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

(e) Deferred Debt Issue Costs

Expenditures incurred in issuing the Series A and B Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are deferred and amortized on a straight-line basis over the term of the bonds.

(f) Revenue Recognition

ANC is the purchaser of all power received under the Brilliant Entitlement and has the right to the shared use of the Brilliant terminal station. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(f)(ii)) and FIIA (Note 1(f)(iii)). Regulated upgrade revenues are recognized when entitlements are delivered.

Revenues for ALPC are recognized on the basis of energy as set out in the entitlement agreement with BC Hydro (Note 1(f)(i)).

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(g) Taxes

CPC is exempt from corporate income taxes and federal large corporations tax.

(h) Foreign Currency Translation

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

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. Cash and Temporary Investments

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

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

A $7.5 million US dollar money market fund is held by ALPC to offset a US dollar current liability. A Canadian dollar bank account is held for future payment of its commitment for fish entrainment compensation as per Note 18(b).

BEPC cash includes construction trust and letter of credit accounts. The construction trust account is a holding account for scheduled payments to the design-build contractor. The letter of credit account secures a letter of credit issued to BC Hydro for development security under the GPG EPA.

($ in thousands)	2004	2003
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 2,913	$ 2,913
Operating reserve account		
Short-term bank note	986	1,010
Project construction commitments		
US dollar money market fund	4,988	5,519
Canadian dollar bank accounts	925	134
	9,812	9,576
Available for operations		
Canadian dollar money market fund	17,946	-
Canadian dollar bank accounts	2,034	6,917
Short-term bank note	514	-
	20,494	6,917
	$ 30,306	$ 16,493

4. Inventories

Land inventory was purchased as a result of transmission Right of Way (ROW) acquisition. Spare parts were acquired as specific items under the design-build contract with PKS.

The value of land held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of land inventory will reduce or increase the net cost of the ROW. Spare parts are recorded at cost.

($ in thousands)	2004	2003
Land	$ 228	$ 285
Spare parts	815	818
	$ 1,043	$ 1,103

5. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2004	NBV 2003
Brilliant power facility	$ 102,868	$ 11,368	$ 91,500	$ 91,737
Brilliant terminal station	11,144	239	10,905	-
Brilliant lands	2,359	-	2,359	2,359
ALPC power facility	130,233	5,600	124,633	126,657
ALPC transmission	10,745	510	10,235	10,446
ALPC lands	3,592	-	3,592	3,512
Other lands	-	-	-	40
Computer systems	314	204	110	128
Furniture and equipment	258	173	85	149
Leasehold improvements	435	305	130	219
Vehicles	143	45	98	89
	$ 262,091	$ 18,444	$ 243,647	$ 235,336

6. Due from Joint Venture Partner

(a) Non-Interest Bearing Advance

Under the terms of the Joint Venture Agreements (Note 1), CPC has made interest free advances to fund the Trust's share of joint venture cash contributions. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

(b) Interest Bearing Advance

During the year, CPC made further interest bearing advances to the Trust for power project capital spending from its retained earnings and short-term borrowing. Interest at an average rate of 2.4% (2003 - 2.7%) was charged, based on CPC's investment opportunity cost and short-term borrowing interest incurred. These advances were fully repaid before year end from equity received by the Trust from the Province and from the issuance of long-term bonds.

7. Hydroelectric Power Expansion Rights

Hydroelectric power expansion rights are recorded at cost and include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

8. Deferred Costs

Deferred power project costs are carried on the balance sheet of CPC based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the economic viability of each project. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the economic viability of projects.

9. Power Sales Right

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

10. Deferred Debt Issue Costs

Debt issue costs incurred by CBPC and ALPC in issuing long-term debt:

($ in thousands)	2004	2003
Deferred debt issue costs	$ 2,978	$ 740
Accumulated amortization	(276)	(135)
	$ 2,702	$ 605

11. Proportionately Consolidated Joint Ventures

CPC participates in four active power project joint ventures with subsidiaries of the Trust. CPC has included in its consolidated financial statements and notes the following financial position, operating results, and cash flows which represent its 50% interest in PPPJV, BEPC, ALPC and CBPC:

(i) Financial Position

($ in thousands)	2004	2003
Assets		
Plant and equipment	$ 254,990	$ 240,864
Accumulated amortization	(17,717)	(12,024)
	237,273	228,840
Land	5,951	5,871
Capital assets	243,224	234,711
Deferred costs	50,926	14,784
Expansion rights	25,925	25,925
Power sales right	10,354	11,268
Current assets	24,619	19,369
Other assets	23,922	4,513
	378,970	310,570
Liabilities		
Long-term debt	(124,721)	(86,070)
Current liabilities	(16,933)	(13,827)
	(141,654)	(99,897)
Equity in Joint Ventures	$ 237,316	$ 210,673

11. Proportionately Consolidated Joint Ventures (continued)

(ii) Operating Results

($ in thousands)	2004	2003
Revenues		
CBPC	$ 15,706	$ 13,805
ALPC	14,271	30,995
	29,977	44,800
Expenses		
CBPC	12,425	11,038
ALPC	9,057	19,584
PPPJV	19	576
	21,501	31,198
Net income	$ 8,476	$ 13,602

(iii) Cash Flows

($ in thousands)	2004	2003
Opening cash and temporary investments	$ 16,183	$ 5,673
Cash from operations	14,397	23,778
Cash applied to investments	(72,016)	(26,758)
Cash from financing	62,584	16,615
Cash distributions	(4,265)	(3,125)
Closing cash and temporary investments	$ 16,883	$ 16,183

12. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The plan is a multi-employer defined benefit pension plan and is reported separately to the Province.

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

CPC maintains an executive pension benefit plan (EPBP). Under the EPBP, CPC contributes each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at November 28, 2003. Based on this valuation, a pension liability estimated to be $182,000 at March 31, 2004 (2003 - $153,000) is included in accrued liabilities.

13. Long-Term Bonds

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

The Bonds are redeemable by CBPC 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%.

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

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

In 2003 the Province entered into two Advance Rate Setting Agreements, on behalf of CPC, to hedge against a rise in long-term borrowing rates in the first half of 2003/04 on $100 million. The Hedging Instruments were settled on August 28, 2003.

($ in thousands)

			Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2004**	**2003**
CBPC A	8.93%	May 31, 2026	$ 44,613	$ 45,222
CBPC B	6.86%	May 31, 2026	13,579	13,827
ALPC A	5.39%	March 31, 2015	49,472	-
			107,664	59,049
Current portion			(4,163)	(857)
			$ 103,501	$ 58,192

Principal repayments next five years:	
2005	$ 4,163
2006	4,418
2007	4,691
2008	4,980
2009	5,289
Subsequent years	84,123
	$ 107,664

14. Credit Facility

In accordance with the agreements with Bondholders, CBPC has secured a $10 million credit facility with the Canadian Imperial Bank of Commerce, which would rank equally with the Brilliant Series A and B Bonds.

15. Share Capital

Authorized:
100,000,000 common shares, no par value

Issued:
6 common shares $6

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. Financial Instruments

CPC's financial instruments consist of cash and temporary investments, accounts receivable and unbilled revenue, power sales right, expansion rights, and accounts payable. Unless otherwise noted, it is management's opinion that CPC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

18. Commitments

(a) Plant Operations

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

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute $175,000 annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in ALGS. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

(c) BEPC Contractor Bonus

The construction contract includes a bonus for early completion. The contractor will be entitled to receive a daily bonus amount to August 7, 2006 if marketable power is produced before that date.

19. Related Party Transactions

These consolidated financial statements include minor amounts due from, due to and transactions with related parties. Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

20. Subsequent Events

(a) Non-Interest Bearing Advance Repayment

In April 2004, the Province transferred $50 million to the Trust's segregated trust account. In accordance with the Agreement between the Province and the Trust, the funds were transferred to CPC as partial repayment of the non-interest bearing advance. The funds were immediately used by CPC to fund joint venture power project capital spending.

(b) ALGS Approach Channel

On May 3, 2004 an underwater camera inspection of the ALGS approach channel revealed that damage had occurred to the concrete lining of the channel, forcing the suspension of generation. The incident is under investigation and remedial work is being performed. The financial impact of this matter, while potentially significant, can not be determined at this time. Management is currently reviewing insurance coverage and remedies under the Design-Build Contract.

(c) Brilliant Power Corporation

Effective April 1, 2004, all of the assets of CBPC, including the rights and enjoyment of the Brilliant power facility and Brilliant terminal station were transferred to Brilliant Power Corporation (formerly known as Brilliant Power Funding Corporation).

21. Contingencies

(a) Power Projects

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, CBPC 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 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.

The Venturers' power project construction program is dependent on the funding arrangements detailed in the Agreement between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and CPC are subject to the appropriation of sufficient funds in that year's Provincial Budget.

(b) Arrow Lakes Power Corporation

The ALGS construction contractor has made a claim for costs incurred to meet seismic construction standards. While the final outcome of this claim cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have a significant effect on ALPC's financial position.

Under the Design-Build Contract at Final Acceptance, all deficiencies of the ALGS must be completed by the construction contractor or liquidated damages will be owed by the contractor to ALPC.

(c) Brilliant Expansion Power Corporation

The construction contractor has made a claim for costs incurred for construction of the Brilliant Expansion tailrace berm. While the final outcome of this claim cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have significant effect on BEPC's financial position.

22. Comparative Figures

Certain 2003 figures have been reclassified to conform with the current year's presentation.