COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

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Table of Contents

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Statement of Management Responsibility

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

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

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

Ed Pietraszek
Acting President

David de Git, CMA
Acting Corporate Controller

May 19, 2006

Report of the
Office of the Auditor General
of British Columbia

To the Board of Directors of
Columbia Power Corporation and

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

We have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2006 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Columbia Power Corporation* as at March 31, 2006 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 19, 2006

Errol S. Price, CA
Deputy Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

	2006	2005
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	$ 56,588	$ 43,032
Accounts receivable and unbilled revenue	6,534	6,130
Inventories (Note 4)	989	1,020
Prepaid expenses and deposits	1,761	1,415
Recoverable channel repair costs and losses (Note 5)	1,379	2,389
	67,251	53,986
Capital assets (Note 6)	239,518	240,689
Other assets		
Due from joint venture partner (Note 7)	-	25,000
Hydroelectric power expansion rights (Note 8)	25,925	25,925
Deferred costs (Note 9)	102,016	88,985
Power sales right (Note 10)	8,863	9,635
Deferred debt issue costs (Note 11)	3,648	3,936
	140,452	153,481
	$ 447,221	$ 448,156

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)

		2006		2005
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	12,881	$	9,681
Dividend payable		2,000		2,000
Interest payable on long term bonds		3,014		3,132
Current portion of long term bonds (Note 13)		5,342		5,034
Due to related parties (Note 19)		606		858
		23,843		20,705
Deferred revenue		791		661
Long term bonds (Note 13)		118,031		123,373
Commitments (Note 18)				
Contingencies (Note 21)				
Equity				
Contributed surplus (Note 16)		276,065		276,065
Retained earnings		28,491		27,352
		304,556		303,417
	$	447,221	$	448,156

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)

	2006	2005
REVENUES		
Sale of power	$ 28,438	$ 26,480
Transmission facility revenue	1,502	1,411
Interest	1,074	727
Management fee	671	583
	31,685	29,201
EXPENSES		
Water rentals	4,005	4,090
Amortization of capital assets in service	5,482	6,174
Amortization of power sales right	772	720
Property tax	1,061	1,027
Operations and maintenance	1,140	1,423
Administration and management	1,989	1,791
Insurance	553	497
Community sponsorship	84	75
Restructuring costs (Note 1(g))	225	762
	15,311	16,559
INCOME FROM OPERATIONS	16,374	12,642
FINANCE CHARGES		
Interest expense	8,551	8,106
Amortization of deferred debt issue costs	288	254
	8,839	8,360
NET INCOME BEFORE CHANNEL REPAIR COSTS	7,535	4,282
CHANNEL REPAIR COSTS	(7,361)	(3,927)
RECOVERY OF REPAIR COSTS AND LOSSES (Note 5)	2,964	5,389
NET INCOME FOR THE YEAR	$ 3,138	$ 5,744

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)

			2006		2005
RETAINED EARNINGS - beginning of year		$	27,352	$	23,608
Add:	Net income		3,138		5,744
Deduct:	Dividends declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year		$	28,490	$	27,352

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)

	2006	2005
OPERATING ACTIVITIES:		
Net income for the year	$ 3,138	$ 5,744
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	5,482	6,174
Amortization of deferred debt issue costs	288	254
Amortization of power sales right	772	720
Recoverable channel repair costs and losses (Note 5)	1,010	(2,389)
Restructuring costs	-	591
Net change in non-cash working capital balances	2,242	1,243
	12,932	12,337
FINANCING ACTIVITIES:		
Issue of Project Bonds	-	25,000
Dividends paid	(2,000)	(2,000)
Deferred debt issue costs	-	(1,488)
Principal repayment of Project Bonds	(5,033)	(4,256)
	(7,033)	17,256
INVESTING ACTIVITIES:		
Repayment from joint venture partner	25,000	25,000
Deferred costs	(13,031)	(38,445)
Additions to Brilliant power facility and terminal station	(926)	(2,006)
Additions to ALGS power facility	(3,241)	(1,223)
Purchase of furniture, equipment, vehicles and land	(145)	(193)
	7,657	(16,867)
INCREASE IN CASH AND EQUIVALENTS	13,556	12,726
CASH AND EQUIVALENTS - beginning of year	43,032	30,306
CASH AND EQUIVALENTS - end of year	$ 56,588	$ 43,032
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	10,814	13,229
Cash and temporary investments available for operations	45,774	29,803
	$ 56,588	$ 43,032
Supplemental disclosure of cash flow information		
Interest paid	$ 8,668	$ 7,741

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

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

(b) Power Project Planning

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

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

(c) Brilliant Power Facility and Brilliant Terminal Station

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

(d) Arrow Lakes Generating Station

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

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation, a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW, $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 BPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement

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

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

Prior to November 2005, FortisBC purchased the Brilliant Power Facility upgrades regulated entitlement at a price equal to the greater of $26 per megawatt-hour and Fortis's cost of purchasing power from BC Hydro.

An agreement was signed with Powerex Corp. (Powerex), a subsidiary of BC Hydro, effective November 1, 2005 to purchase this output under a short-term contract. The price used to determine this revenue is based on market prices.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

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

(iv) Powerex Backstop Agreement

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

(v) Management Agreements

BPC

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

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

ALPC

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

(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. Final Acceptance of the powerplant, scheduled under the contract to occur in December 2005, awaits the resolution of a number of outstanding contractual issues. 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, commercial operations are scheduled to begin in August 2006. As a result of construction delays, commercial operation is now expected to begin in May 2007. 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 megawatts to BC Hydro during the period January 2003 to December 2014. ALPC uses the Arrow Lakes entitlement to meet its obligations under the contract.

(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 annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting August 2006.

(g) Columbia Basin Initiative Restructuring

The Columbia Basin Initiative resulted from the signing of the Columbia Basin Accord in 1995. Pursuant to this accord, the Province contributed $500 million over 10 years to be used as equity funding in power project investments that would be made on a joint venture basis between CPC and CBT, both 100% provincially owned Crown corporations.

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. CBT Energy chose to not exercise its option to acquire CPC and the option expired in November 2005.

On January 26, 2005 the Minister of Energy and Mines instructed CPC and CBT that the existing structure, which retains a separate CPC and CBT, would be continued. This direction allows both organizations to focus on their respective mandates, which remain unchanged. CPC will continue as Manager responsible for the development, construction and operation of power projects. CBT will continue to invest and deliver economic, social and environmental benefits to Columbia Basin residents. During the year CPC recorded a $225,000 expense (2005 - $762,000) related to its 50% share of Columbia Basin Initiative restructuring costs.

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, BPC, 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. The corporation includes, as part of the costs of its fixed assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

Capital assets are recorded at cost. For 2005 and preceding years, the Brilliant Power Facility, excluding sustaining capital and upgrade expenditures, was amortized on a straight-line basis over 60 years as the term of the Brilliant Power Purchase Agreement was used as the best estimate of useful life. Similarly, sustaining capital additions and capital expenditures for upgrades were historically amortized over terms consistent with the associated revenue agreement, as these agreements provided the best estimate of useful life.

During the year, new information on the estimated useful lives of the Brilliant Power Facility assets became available. The amortization rates were changed to amortize costs over the revised lifespan estimates. The objective of the change in estimate was to provide a rational and systematic basis for allocating the amortizable amount of an item of property, plant and equipment over its estimated useful life, as prescribed by Canadian generally accepted accounting principles. The amortization expense, based on the revised estimates of useful lives, is $2.4 million for 2005/06. The amortization expense would have been $2.7 million using the previous estimates. The revised estimates for asset life-spans are consistent with industry norms.

The expected useful lives of capital assets, in years, are:

Power facility	40 - 80
Terminal station	30 - 60

(ii) Arrow Lakes Generating Station

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

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

During the year, new information on the estimated useful lives of the Arrow Lakes Generating Station assets became available. The amortization rates were changed to amortize costs over the revised lifespan estimates. The amortization expense, based on the revised estimates of useful lives, is $3.0 million for 2005/06. The amortization expense would have been $3.3 million using the previous estimates. The revised estimates for asset life-spans are consistent with industry norms.

(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 and construction expenditures are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

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

(e) Deferred Debt Issue Costs

Expenditures incurred in issuing the Series A, B and C 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

FortisBC is the purchaser of all power received under the Brilliant Entitlement, except for the regulated upgrades after October 2005, 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 and ALGS revenues are recognized when entitlements are delivered.

(g) Asset Retirement Obligations

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

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

(h) Consolidation of Variable Interest Entities

Canadian generally accepted accounting principles require CPC to consolidate a variable interest entity if it is determined that the enterprise is the primary beneficiary of such entity. A variable interest entity is an entity in which either: the equity is insufficient to absorb the entity's expected losses, the equity owners as a group are not able to make decisions about the entity's activities or the equity holders do not absorb the entity's losses or receive the entity's residual returns. The application of this standard does not have any impact on CPC's financial position or on its operating results.

(i) Taxes

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

(j) 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.

(k) 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

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

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

3. Cash and Temporary Investments (continued)

A US $8.0 million 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)	2006	2005
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,955	$ 3,922
Operating reserve account		
Canadian dollar bank account	1,200	1,050
Project construction commitments		
US dollar money market fund	4,665	4,705
Canadian dollar bank accounts	994	3,552
	10,814	13,229
Available for operations		
Canadian dollar money market fund	29,657	26,618
Canadian dollar bank accounts	16,117	3,185
	45,774	29,803
	$56,588	$43,032

4. Inventories

Land inventory was purchased as a result of transmission Right of Way (ROW) acquisition. One property was sold from inventory in 2005/06. 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)	2006	2005
Land	$ 197	$ 228
Spare parts	792	792
	$ 989	$1,020

5. Recoverable Channel Repair Costs and Losses

On May 3, 2004, ALPC discovered damage caused by unstable hydraulic conditions to the concrete lining of the approach channel. Power generation was suspended while investigations took place and repairs were made to the channel. Repairs have been undertaken in three stages, namely:

(i) immediate temporary repair to stop the ingress of water into the channel underdrainage system;

(ii) intermediate repairs to enable the safe resumption of power generation until long-term repairs that may be required to ensure the integrity of the approach channel are undertaken, all subject to the approval of the Comptroller of Water Rights and BC Hydro; and

(iii) permanent repairs to ensure the integrity of the approach channel and prevent reoccurrence of the incident, which required a further suspension of generation.

The first two stages of repair, which involved placing a high-density polyethelene liner over the damaged area and then covering the liner with a layer of concrete, were completed, and production of power was resumed in August 2004. Permanent repairs commenced in November 2005 and commercial operation resumed on May 18, 2006.

ALPC is taking all necessary steps, including pursuing its remedies under the design-build contract and its insurance policies, to recover its losses, and is preserving its available sources of working capital to ensure that its obligations to creditors and regulators will be satisfied and that funds are in place as needed to carry out permanent repairs to the channel. Accordingly, payment of dividends was suspended during 2004/05 and 2005/06.

CPC's 50% share of the total cost of the channel damage during the year included $10.4 million in repairs (2005 - $3.9 million) and $3.1 million in lost revenue from power generation (2005 - $3.4 million). $3.0 million of this cost is recorded as a capital expenditure subject to future recovery. CPC's 50% share of advances to date from its property insurer toward the settlement of its insurance claim totals $7 million, and CPC has recorded in its financial statements an expected further recovery of $1.4 million from its insurer. The $8.4 million recovery of repair costs and losses does not include potential recovery from insurance and other sources and future reduced water rental expense. The final financial impact of the channel damage cannot be determined with certainty at this time.

6. Capital Assets

($ in thousands)	**Cost**	**Accumulated Amortization**	**NBV 2006**	**NBV 2005**
Brilliant power facility	$103,725	$15,501	$ 88,224	$ 89,687
Brilliant terminal station	13,138	1,057	12,081	12,021
Brilliant lands	2,386	-	2,386	2,385
ALPC power facility	134,558	11,241	123,317	122,637
ALPC transmission	10,745	1,155	9,590	9,961
ALPC lands	3,576	-	3,576	3,607
Computer systems	424	280	144	122
Furniture and equipment	294	237	57	89
Leasehold improvements	456	441	15	62
Vehicles	188	60	128	118
	$269,490	$29,972	$239,518	$240,689

7. Due From Joint Venture Partner

Under the terms of the Joint Venture Agreements (Note 1(a)), CPC made interest free advances to fund the Trust's share of joint venture cash contributions. All advances were repaid as of April 1, 2005 with the receipt of the final $50 million equity contribution from the Province.

8. 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.

9. Deferred Costs

Deferred costs are comprised of deferred development costs and construction-in-progress. Deferred costs are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the reported amounts of deferred project costs. Costs of the construction contract are recorded according to the schedule of payments under the contract as this schedule is intended to reflect the progress of various activities of the work and the general values assigned to those activities.

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2005	2005/06 Additions	Deferred Costs at March 31, 2006
Development costs Waneta Expansion (WAX)	$ 4,389	$ 1,813	$ 6,202
Development costs Brilliant Expansion (BRX)	6,376	-	6,376
Construction-in-progress BRX	78,220	11,218	89,438
	$88,985	$13,031	$102,016

(b) Deferred Costs by Expenditure Category

($ in thousands)	Project Design & Construction	Environmental Assessment	Socio-economic Assessment	Finance/ Legal Analysis	CPC/CBT Management	Total March 31, 2006
WAX	$ 1,159	$1,854	$158	$ 423	$2,608	$ 6,202
BRX	86,667	1,823	412	1,625	5,287	95,814
	$87,826	$3,677	$570	$2,048	$7,895	$102,016

10. 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.

11. Deferred Debt Issue Costs

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

($ in thousands)	2006	2005
Deferred debt issue costs	$4,465	$4,465
Accumulated amortization	(817)	(529)
	$3,648	$3,936

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 by 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.

Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2006 as $223,000 on a discounted cash flow basis.

13. Long Term Bonds

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

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

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

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

13. Long Term Bonds (continued)

($ in thousands)			CPC's Portion of Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2006**	**2005**
BPC A	8.93%	May 31, 2026	$ 43,225	$ 43,950
BPC B	6.86%	May 31, 2026	13,028	13,312
BPC C	5.67%	May 31, 2026	24,291	24,906
ALPC A	5.39%	March 31, 2015	42,829	46,239
			123,373	128,407
	Current portion		(5,342)	(5,034)
			$118,031	$123,373

Principal repayments next five years:	
2007	$ 5,342
2008	5,668
2009	6,017
2010	6,386
2011	6,782
Subsequent years	93,178
	$123,373

14. Credit Facility

In accordance with its agreements with Bondholders, BPC has secured a $10 million credit facility with the CIBC, which would rank equally with the Series A, B and C Bonds. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

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, accounts payable and long term debt. 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, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute $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 September 7, 2006 if marketable power is produced before that date.

(d) Facilities Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $185,000 per year for the next five years.

19. Related Party Transactions

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro and its affiliates; the Trust and its affiliates; and the Province. The $145,000 amount due from the Province represents the bonus portion of the compensation agreement with CPC's employees. Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

(a) Due from and sales to related parties

	2006		2005	
($ in thousands)	**Due from Related Party**	**Sales to Related Party**	**Due from Related Party**	**Sales to Related Party**
BC Hydro	$ -	$12,697	$109	$11,756
Powerex	147	1,533	-	-
Province	145	160	5	27
CBT and affiliates	-	8	3	7
	$292	$14,398	$117	$11,790

(b) Due to and purchases from related parties

($ in thousands)	2006 Due to Related Party	2006 Purchases from Related Party	2005 Due to Related Party	2005 Purchases from Related Party
Province	$ 23	$4,515	$ 126	$5,573
BC Hydro	2	800	363	844
Powerex	-	48	-	48
BC Transmission Corp.	-	254	-	88
CBT and affiliates	581	926	369	718
	$606	$6,543	$858	$7,271

20. Subsequent Event

On May 18, 2006 the Arrow Lakes Generating Station resumed commercial operations.

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, 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 negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

(b) Arrow Lakes Power Corporation

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) Insurance Proceeds

CPC is in the process of establishing the amount to be recovered from its insurer in respect to damage to the ALGS approach channel. Management used its best estimate to determine the proceeds. However if the proceeds are greater or less than the estimate, this difference will be recognized in future years.

(d) Brilliant Expansion Power Corporation

In the course of project construction, BEPC is subject to the potential for future claims from its contractor. The final impact, if any, of future claims cannot currently be estimated.

22. Comparative Figures

Certain 2005 figures have been reclassified to conform with the current year's presentation.