COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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FOR THE YEAR ENDED MARCH 31, 2014

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COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the year ended March 31, 2014
(Expressed in thousands of dollars)

	Actual	Budget	Variance
REVENUES			
Services Agreement	1,832	2,268	(436)
	1,832	2,268	(436)
Investment Income:			
ALPC (50%)	67	(636)	703
BEPC (50%)	11,292	9,880	1,412
BPC (50%)	10,334	10,408	(74)
WEPC (58%)	1,054	1,054	-
	22,747	20,706	2,041
OPERATING EXPENSES			
Other expenses	3,754	3,747	(7)
	3,754	3,747	(7)
EBITDA	20,825	19,227	1,598
AMORTIZATION & FINANCING EXPENSES			
Amortization expense	433	437	4
Financing expense	1,143	1,133	(10)
Less: interest revenue	993	749	(244)
	583	821	238
NET INCOME	$ 20,242	$ 18,406	$ 1,836

Breakdown of Other Expense:

Budget element	**Actual**	**Budget**	**Variance**
Salaries & benefits	4,847,000	4,967,000	120,000
Travel & Business Expense	191,808	176,000	(15,808)
Board Expenses	80,375	134,000	53,625
Advisory Services & Audit	394,237	569,000	174,763
Systems and Networks	322,600	360,000	37,400
Rent Expense	264,577	338,000	73,423
Corporate Operations	234,909	232,000	(2,909)
Stakeholder Consultation & Advertising	21,374	25,000	3,626
First Nations Sponsorship	21,710	25,000	3,290
Training, Conferences, Memberships	157,361	134,000	(23,361)
Miscellaneous Expenses	65,661	35,000	(30,661)
Depreciation	432,738	437,000	4,262
Business Development third party costs	182,265	270,000	87,735
Loss on Disposal Fixed Assets	-	25,000	25,000
Corporate Communications	128,322	161,000	32,678
Community Sponsorship	84,700	85,000	300
Grants-in-Lieu	504,441	493,000	(11,441)
Interest and financing costs	1,143,086	1,133,000	(10,086)
Ineligible expenses written off in CPC Waneta	67,000	-	(67,000)
	9,144,162	9,599,000	454,838
Recoveries	(3,814,502)	(4,281,750)	(467,248)
Net expense after recoveries	5,329,660	5,317,250	(12,410)
Remove other line items:			
Interest and financing costs	(1,143,086)	(1,133,000)	10,086
Depreciation/amortization	(432,738)	(437,000)	(4,262)
Other expense	3,753,836	3,747,250	(6,586)

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and fairly present Columbia Power Corporation's consolidated financial position, financial performance, and cashflows. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

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

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

Frank Wszelaki
President and CEO

David de Git, CMA
Director, Finance

May 21, 2014

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Columbia Power Corporation, its subsidiary and its joint ventures ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia
May 21, 2014

Russ Jones, MBA, CPA, CA
Auditor General

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

	Notes		March 31, 2014		March 31, 2013		April 1, 2012
Assets							
Current assets							
Cash and cash equivalents	9	$	10,094	$	6,306	$	40,575
Accounts receivable	10		979		1,142		6,505
Prepaid expense			49		8		10
Other investments	11		74,557		90,627		100,051
Total current assets			85,679		98,083		147,141
Non-current assets							
Restricted cash	9		597		591		186
Investment in equity accounted joint arrangements	4, 6		207,874		210,619		212,834
Investment prior to limited partnership	8		1,325		1,325		1,325
Investment in Waneta Expansion Limited Partnership	4, 8		192,153		159,353		94,336
Property, plant & equipment	12		793		1,165		1,586
Total non-current assets			402,742		373,053		310,267
TOTAL ASSETS		$	488,421	$	471,136	$	457,408
Liabilities and Shareholder's Equity							
Current liabilities							
Accounts payable and accrued liabilities	13	$	3,419	$	4,379	$	6,406
Payable to equity holder	16		250,000		-		-
Dividends payable	22		32,000		2,000		2,000
Loans and borrowings	14		19,894		-		-
Total current liabilities			305,313		6,379		8,406
Non-current liabilities							
Loans and borrowings	14		-		19,891		19,887
Total non-current liabilities			-		19,891		19,887
Equity							
Share capital	15		-		-		-
Contributed surplus	16		26,065		276,065		276,065
Retained earnings	4		157,043		168,801		153,050
Total Equity			183,108		444,866		429,115
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$	488,421	$	471,136	$	457,408
Commitments	25						
Contingencies	26						

The accompanying notes are an integral part of the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD: -

Lillian White

Director

Director

COLUMBIA POWER CORPORATION
Consolidated Statement of Comprehensive Income
For the years ended March 31
(Expressed in thousands of Canadian dollars)

	Notes		2014		2013
Revenue	17	$	1,832	$	1,816
Other income	6		22,747		19,855
Depreciation expense	12		(433)		(483)
Other expenses	20		(3,754)		(3,596)
Results from operating activities			20,392		17,592
Finance income	18		993		1,299
Finance costs	19		(1,143)		(1,140)
Net finance income			(150)		159
Net comprehensive income for the year		$	20,242	$	17,751

The accompanying notes are an integral part of the consolidated financial statements

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

	Notes	Share Capital		Contributed Surplus		Retained Earnings		Total Equity
Balance at April 1, 2012			$	276,065	$	153,050		429,115
Net comprehensive income for the year				-		17,751		17,751
Dividend to equity holder	22			-		(2,000)		(2,000)
Balance at March 31, 2013		-	$	276,065	$	168,801	$	444,866
Balance at April 1, 2013			$	276,065	$	168,801		444,866
Net comprehensive income for the year				-		20,242		20,242
Return of capital to equity holder	16			(250,000)		-		(250,000)
Dividends to equity holder	22			-		(32,000)		(32,000)
Balance at March 31, 2014		-	$	26,065	$	157,043	$	183,108

The accompanying notes are an integral part of the consolidated financial statements

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

	Notes	2014	2013
Cash flows from operating activities			
Net comprehensive income for the year		$ 20,242	$ 17,751
Adjustments to reconcile cash flow from operations			
Amortization of property, plant and equipment		433	483
Ineligible costs capitalized in WELP		67	-
Interest income		(993)	(1,299)
Interest expense		1,143	1,140
Other income		(22,747)	(19,855)
Net change in non-cash working capital balances			
Accounts receivable		163	5,363
Prepaid expense		(41)	2
Accounts payable and accrued liabilities		(961)	(2,026)
Net cash from operating activities		(2,694)	1,559
Cash flows from financing activities			
Interest paid		(1,140)	(1,137)
Dividends paid		(2,000)	(2,000)
Net cash used in financing activities		(3,140)	(3,137)
Cash flows from investing activities			
Interest received		993	1,299
Dividends received		26,000	22,550
(Purchase)/sale of temporary investments		16,070	9,424
Investment in limited partnership		(33,374)	(65,496)
(Acquisition)/disposal of property, plant and equipment		(61)	(63)
Net cash used in investing activities		9,628	(32,286)
Increase (decrease) in cash and cash equivalents		3,794	(33,864)
Cash and cash equivalents, beginning of year		6,897	40,761
Cash and cash equivalents, end of year		$ 10,691	$ 6,897
CASH CONSISTS OF:			
Restricted cash	9	597	591
Cash available for operations	9	10,094	6,306
		$ 10,691	$ 6,897

The accompanying notes are an integral part of the consolidated financial statements

1. Reporting entity:

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

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

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

2. Basis of preparation:

(a) Statement of compliance:

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

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2014, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2013.

The consolidated financial statements were authorized for issue by the board of directors on May 21, 2014.

(b) Basis of measurement:

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

2. Basis of preparation (continued):

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

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

Note 2(e) - Determination of fair values;

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

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

Note 3(f) - Leased assets.

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

Note 3(g) - Impairment; and

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

(e) Determination of fair values:

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

3. Significant accounting policies:

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

The accounting policies have been applied consistently by CPC entities.

(a) Basis of consolidation:

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

(i) Investment in subsidiary:

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

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

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

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

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

(iii) Elimination of transactions with equity accounted investees:

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

3. Significant accounting policies (continued):

(b) Foreign currency transactions:

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

(c) Designation of financial instruments:

(i) Non-derivative financial assets:

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

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

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

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

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

Financial assets at fair value through profit or loss:

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

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

3. Significant accounting policies (continued):

(c) Designation of financial instruments (continued):

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

Loans and receivables:

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

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

(ii) Non-derivative financial liabilities:

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

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

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

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

(d) Share capital:

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

3. Significant accounting policies (continued):

(e) Property, plant and equipment:

(i) Recognition and measurement:

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

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

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

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

(ii) Subsequent costs:

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

(iii) Depreciation:

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

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

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

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

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

3. Significant accounting policies (continued):

(f) Leased assets:

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

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

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

(g) Impairment:

(i) Financial assets:

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

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

Management has determined that there is no evidence indicating that CPC's financial assets are impaired as at March 31, 2014 and March 31, 2013.

(ii) Non-financial assets:

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

Management has determined that there is no evidence indicating that CPC's non-financial assets are impaired as at March 31, 2014 and March 31, 2013.

3. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined contribution plan benefits and employee benefits:

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

(ii) Other long-term employee benefits:

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

(iii) Short-term employee benefits:

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

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

(i) Provisions:

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

At March 31, 2014 and March 31, 2013, management determined that CPC does not have any legal or constructive obligations requiring a provision.

(j) Government grants:

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

3. Significant accounting policies (continued):

(k) Finance income and finance costs:

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

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

(l) Income tax:

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

(m) New standards and interpretations not yet adopted:

A number of new standards, interpretations, amendments, and annual improvements to existing standards issued by the International Accounting Standards Board (IASB) are not yet effective for the year ended March 31, 2014, and have not been applied in preparing these consolidated financial statements. As of the reporting date, management has determined there will be no significant impact on CPC's financial statement disclosures from the number of annual improvements. The following standards, which management has determined are more relevant to CPC, have been published but are not effective until CPC's accounting periods beginning after January 1, 2014.

(i) Financial instruments:

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

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

3. Significant accounting policies (continued):

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

(ii) Impairment of Assets:

IAS 36, Impairment of Assets has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2013. The amendments more accurately reflect the IASB's previous decision to require the disclosure of the recoverable amount of impaired assets and additional disclosure about the measurement of the recoverable amount of the impaired assets. The amendments are effective for annual periods beginning on or after January 1, 2014. As of the reporting date, management has determined there will be no impact of this revised standard on CPC's financial statements.

4. Change in accounting policy:

As described in note 3, IFRS requires unrealized income and expenses arising from intra-Company transactions with equity accounted investees to be eliminated in preparing the consolidated financial statements to the extent that one of the parties has capitalized the unrealized income or expenses. As such, CPC's policy has been to eliminate its share of interest income on WEPC's promissory note to the extent it has been capitalized in WELP (see descriptions of WEPC and WELP in notes 5, 7 and 8). Since fiscal 2012, CPC has applied this elimination entry against its investment in WEPC. Under this policy, CPC would recognize a gain of \$5.5 million, equivalent to the cumulative amount of interest eliminated on consolidation, at the time the promissory note matures in 2020. Management has determined that a preferable policy would be to apply the elimination entry against CPC's investment in WELP, where the promissory note interest has been capitalized as part of property, plant and equipment under construction. Once the property, plant and equipment in WELP are put into use and being depreciated, the cumulative eliminated interest income on the promissory note will be reversed at the same rate as these assets in WELP are being depreciated.

4. Change in accounting policy (continued):

On the statement of financial position, this change in accounting policy will cause the Investments in equity accounted investees account to increase and the Investment in WELP account to decrease by $453 thousand on April 1, 2012 and $933 thousand on March 31, 2013. There is no impact on comprehensive income or retained earnings in either of those years.

($ in thousands)	Investment in equity accounted joint arrangements	Investment in WELP	Retained earnings
Balances at April 1, 2012 as previously stated	212,380	94,789	153,050
Impact of change in accounting policy	453	(453)	-
Balances at April 1, 2012 as restated	**212,834**	**94,336**	**153,050**
Balances at March 31, 2013 as previously stated	209,686	160,286	168,801
Impact of change in accounting policy	933	(933)	-
Balances at March 31, 2013 as restated	**210,619**	**159,353**	**168,801**

5. Description of equity accounted joint arrangements:

CPC carries out its mandate to develop and operate hydro electric facilities through its interest in the following jointly controlled operations which were incorporated in British Columbia, Canada:

- **Brilliant Power Corporation (BPC)**

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

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

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

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

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

5. Description of equity accounted joint arrangements (continued):

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

Revenues in ALPC and BEPC and finance income in BPC are determined by terms specified in long-term power purchase agreements. As such, these corporations have no significant exposure to commercial risk.

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

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

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

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

6. Summary financial information for equity accounted joint arrangements:

CPC's share of profit in its equity accounted joint arrangements for the year was $22,747 thousand (2013: $19,855 thousand) as follows:

For the year ended March 31 ($ in thousands)		**2014**	**2013**
BPC	50%	10,334	9,997
ALPC	50%	67	(468)
BEPC *	50%	11,292	9,329
WEPC	58%	1,054	997
		22,747	19,855

* Included in BEPC's profit in fiscal 2014 is a $1.2 million settlement from the design-build contractor to compensate for outages and repair costs incurred since commencement of operations at the Brilliant Expansion power facility due to equipment reliability issues. The settlement was accepted by BEPC's board of directors in July of 2013 and resulted in the final acceptance of the Brilliant Expansion power facility in October 2013. As part of the settlement, BEPC was also not required to pay an invoice of $89 thousand to one of the design-build contractor's suppliers. CPC's share of the total settlement is $694.5 thousand.

In 2014, CPC received $26,000 thousand in dividends from its investments in equity accounted joint arrangements (2013: $22,550 thousand) as follows:

For the year ended March 31 ($ in thousands)	**2014**	**2013**
BPC	5,300	5,200
ALPC	6,250	5,100
BEPC	14,450	12,250
	26,000	22,550

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

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

($ in thousands)	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net Assets	Total Income	Expenses	Profit (loss) and OCI
March 31, 2013											
BPC	50%	13,338	314,367	327,705	11,672	122,409	134,081	193,624	41,671	(21,678)	19,993
ALPC	50%	23,599	262,976	286,575	10,648	347,361	358,009	(71,434)	36,987	(37,923)	(936)
BEPC	50%	13,344	231,887	245,231	1,429	-	1,429	243,802	33,297	(14,639)	18,658
WEPC	58%	-	47,708	47,708	-	-	-	47,708	2,547	-	2,547
		50,281	856,938	907,219	23,749	469,770	493,519	413,700	114,502	(74,240)	40,262
March 31, 2014											
BPC	50%	15,813	317,406	333,219	13,144	116,383	129,527	203,692	42,198	(21,530)	20,668
ALPC	50%	23,181	251,527	274,708	11,055	347,454	358,509	(83,801)	37,837	(37,704)	133
BEPC	50%	12,369	226,920	239,289	1,802	-	1,802	237,487	36,891	(14,306)	22,585
WEPC	58%	-	50,400	50,400	-	-	-	50,400	2,692	-	2,692
		51,363	846,253	897,616	26,001	463,837	489,838	407,778	119,618	(73,540)	46,078

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

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

($ in thousands)	Ownership	Cash and Cash Equivalents	Current Financial Liabilities	Non-current Financial Liabilities	Depreciation and Amortization	Interest Income	Interest Expense
March 31, 2013							
BPC	50%	11,040	1,583	122,409	(66)	29,541	(10,380)
ALPC	50%	37,989	-	347,361	(7,374)	351	(19,402)
BEPC	50%	9,297	-	-	(5,019)	138	(28)
WEPC	58%	-	-	-	-	2,547	-
		58,326	1,583	469,770	(12,459)	32,577	(29,810)
March 31, 2014							
BPC	50%	13,373	1,839	116,383	(66)	29,885	(9,965)
ALPC	50%	34,167	-	347,454	(7,249)	322	(19,417)
BEPC	50%	9,355	-	-	(4,480)	161	(20)
WEPC	58%	-	-	-	-	2,692	-
		56,895	1,839	463,837	(11,795)	33,060	(29,402)

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

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

($ in thousands)	**BPC**	**ALPC**	**BEPC**	**WEPC (See note 4)**	**Total**
Net assets of equity accounted joint arrangements at April1, 2012	184,031	(60,298)	249,644	45,161	418,538
CPC's share	50%	50%	50%	58%	
	92,016	*(30,149)*	*124,822*	*26,193*	*212,882*
*Less: elimination entry**	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at April 1, 2012	**92,016**	**(30,197)**	**124,822**	**26,193**	**212,834**
Contributions	-	-	-	-	-
Dividends paid	(10,400)	(10,200)	(24,500)	-	(45,100)
Profit/loss	19,993	(936)	18,658	2,547	40,262
Net assets of equity accounted joint arrangements at March 31, 2013	193,624	(71,434)	243,802	47,708	413,700
CPC's share	50%	50%	50%	58%	
	96,812	*(35,717)*	*121,901*	*27,671*	*210,667*
*Less: elimination entry**	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at March 31, 2013	**96,812**	**(35,765)**	**121,901**	**27,671**	**210,619**
Contributions	-	-	-	-	-
Dividends paid	(10,600)	(12,500)	(28,900)	-	(52,000)
Profit/loss	20,668	133	22,585	2,692	46,078
Net assets of equity accounted joint arrangements at March 31, 2014	203,692	(83,801)	237,487	50,400	407,778
CPC's share	50%	50%	50%	58%	
	101,846	*(41,901)*	*118,744*	*29,232*	*207,921*
*Less: elimination entry**	-	*(47)*	-	-	*(47)*
Investment in equity accounted joint arrangements at March 31, 2014	**101,846**	**(41,948)**	**118,744**	**29,232**	**207,874**

***** The elimination entry represents interest charged by CPC to ALPC on funding provided by CPC for the construction of the Arrow Lakes Generating Station and transmission line. The elimination of interest is being reversed at the average rate of depreciation on the Arrow Lakes Generating Station and Transmission Line assets.

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

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

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

WELP's purpose is to be the owner of the Waneta Expansion Project (the Project). The Project involves the development of a 335 MW generating station on the Pend d'Oreille river near Trail, British Columbia. Summarized financial information for WELP is included in note 8.

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

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

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

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

Cash contributions are as follows:

($ in thousands)	2014	2013
Opening balance at April 1 (see note 4)	159,353	94,337
Cash contributions	33,475	65,702
Less: ineligible costs *	(67)	-
Less: elimination entries **	(608)	(686)
Investment in WELP	32,800	65,016
Total cumulative investment in WELP	**192,153**	**159,353**

* Costs ineligible for capitalization under IFRS.

** CPC's portion of management fees and cost recoveries charged by CPC to WELP (2013 - $206 thousand, 2014 - $101 thousand). Also, CPC's portion of interest from WEPC's promissory note capitalized as PP&E in WELP (2013 - $480 thousand, 2014 - $507).

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

($ in thousands)	2014	2013
Current assets	29,313	31,803
Non-current assets	631,304	517,677
Total assets	**660,617**	**549,480**
Current liabilities	12,389	6,944
Non-current liabilities	50,400	47,708
Partner equity	597,828	494,828
Total liabilities and partner equity	**660,617**	**549,480**

9. Cash and cash equivalents and restricted cash:

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

10. Accounts receivable:

($ in thousands)	Notes	2014	2013
Accounts receivable from related parties	28	886	1,069
Other accounts receivable		93	73
		979	1,142

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

11. Other investments:

Other investments comprise Canadian short term dollar money market instruments. CPC invests funds with the British Columbia Investment Management Corporation and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

12. Property, plant and equipment:

($ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
Cost					
Balance, April 1, 2012	1,261	806	185	1,019	3,271
Additions	-	-	-	62	62
Disposals	-	-	46	-	46
Balance, March 31, 2013	1,261	806	139	1,081	3,287
Balance, April 1, 2013	1,261	806	139	1,081	3,287
Additions	6	-	18	37	61
Disposals	-	-	-	-	-
Balance, March 31, 2014	1,267	806	157	1,118	3,348
Depreciation					
Balance, April 1, 2012	348	466	167	704	1,685
Depreciation for the year	126	164	6	187	483
Disposals	-	-	46	-	46
Balance, March 31, 2013	474	630	127	891	2,122
Balance, April 1, 2013	474	630	127	891	2,122
Depreciation for the year	127	149	5	152	433
Disposals	-	-	-	-	-
Balance, March 31, 2014	601	779	132	1,043	2,555
Carrying amounts					
March 31, 2013	787	176	12	190	1,165
March 31, 2014	666	27	25	75	793

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

13. Accounts payable and accrued liabilities:

($ in thousands)	Notes	2014	2013
Accounts payable to related parties		1,142	1,385
Accrued interest owing to related party		551	551
Sub-total	28	1,693	1,936
Management bonuses		-	175
Executive holdback		43	-
Other accounts payable		1,683	2,268
Total accounts payable and accrued liabilities		3,419	4,379

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

14. Loans and borrowings:

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

($ in thousands)	2014	2013
Promissory note	20,000	20,000
Less: borrowing costs	(106)	(109)
	19,894	19,891

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

($ in thousands)	Coupon rate	Effective rate	Year of maturity	2014	2013
Promissory note	5.67%	5.72%	2041	19,894	19,891

As described in notes 16 and 27, CPC repaid the promissory note on April 14, 2014. As such, the promissory note has been reclassified as a current liability at March 31, 2014.

15. Capital:

At March 31, 2014 and March 31, 2013, CPC has 6 common shares authorized with no par value and issued for $6 dollars.

16. Contributed surplus and Payable to equity holder:

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

In 2013, CPC participated in a joint review by staff from the Ministry of Finance and Ministry of Energy and Mines to ensure the company has the appropriate capital structure to support its joint development mandate. Recommendations were made to adjust CPC's capital structure to reflect its capacity to carry commercial debt.

On March 19, 2014, the board of directors approved repayment to the Province of $250 million of contributed capital, payment of a $30 million dividend (see note 22) and repayment of $20 million borrowed by CPC from CBT Energy (see note 14). These amounts are shown as current payables at March 31, 2014. Payment occurred on April 14, 2014 when CPC received $300,667,000 in net proceeds from borrowing from the Province (see note 27).

For the year ended March 31 ($ in thousands)	**2014**	**2013**
Current Liabilities		
Payable to equity holder	250,000	-
Equity		
Contributed surplus	26,065	276,065

17. Revenue:

For the year ended March 31 ($ in thousands)	**2014**	**2013**
Management fees	90	364
Recovery of costs incurred on behalf of WELP	1,843	1,658
	1,933	2,022
Less: elimination entry*	(101)	(206)
	1,832	1,816

*CPC's portion of management fees and cost recoveries charged by CPC to WELP (also see note 8).

18. Finance income:

For the year ended March 31 ($ in thousands)	2014	2013
Interest on bank accounts	65	99
Interest on other investments	928	1,200
	993	1,299

19. Finance costs:

For the year ended March 31 ($ in thousands)	2014	2013
Bank fees	6	2
Financing costs	4	4
Interest on loans and borrowings	1,133	1,134
	1,143	1,140

20. Other expenses:

For the year ended March 31 ($ in thousands)	Notes	2014	2013
Development costs expensed		67	-
Insurance		10	10
Administration and management		3,088	3,057
Community sponsorship		85	88
Grants-in-lieu of property taxes		504	441
		3,754	3,596

21. Employee benefits:

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

Under joint trusteeship, the risk and reward associated with PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. The latest actuarial valuation, conducted in March 2011, determined that PSPP has assets of $17.8 billion as compared to liabilities of $18.0 billion. As a result, there was a relatively small contribution rate increase to the PSPP for both the employers and plan members starting in fiscal 2013. The PSPP Board of Trustees was required to implement a contribution rate increase of 0.40% of salary each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases were effective as of April 1, 2012. Contributions to PSPP by CPC in fiscal 2014 were $354 thousand (2013 - 363 thousand).

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

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2014 as $168 thousand (2013 - $179 thousand) on a discounted cash flow basis at a 5.5% discount rate.

22. Dividends:

The following dividends were declared by CPC's board of directors:

For the year ended March 31 ($ in thousands)	**2014**	**2013**
$5.33 million per qualifying common share (2013: $333 thousand)	32,000	2,000

At March 31, 2014 there are $32 million in dividends payable (2013 - $2 million). Dividends payable of $2 million were declared in a resolution by the board of directors on March 19, 2014, to be paid no later than June 30, 2014. On the same day, the board authorized payment of a $30 million dividend which was paid on April 14, 2014 (see notes 16 and 27).

23. Financial instruments:

(a) Financial risk management:

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

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

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

(b) Credit risk:

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets are neither overdue nor impaired, and CPC does not consider itself to be significantly exposed to credit risk.

The percentage of accounts receivable balance older than 90 days is 0% (2013: 0%).

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

($ in thousands)	**2014**	**2013**
	Carrying amounts	
Cash and cash equivalents	10,094	6,306
Restricted cash	597	591
Accounts receivable	979	1,142
Other investments	74,557	90,627
	86,227	98,666

23. Financial instruments (continued):

(c) Liquidity risk:

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

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

($ in thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
March 31, 2014							
Accounts payable and accrued liabilities	3,419	3,419	3,419	-	-	-	-
Loans and borrowings	19,894	20,044	20,044	-	-	-	-
	23,313	23,463	23,463	-	-	-	-
March 31, 2013							
Accounts payable and accrued liabilities	4,379	4,379	4,379	-	-	-	-
Loans and borrowings	19,891	41,058	16	567	1,133	5,464	33,878
	24,270	45,437	4,395	567	1,133	5,464	33,878

(d) Market risks:

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

(i) Exchange rate risk:

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

(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. In prior years, the fair value CPC's loan from CBT was affected by interest rate changes. With the loan being paid out in April, 2014, CPC will no longer be exposed to interest rate risk.

23. Financial instruments (continued):

(d) Market risks (continued):

(iii) Price risk:

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. None of CPC's financial instruments values will change according to changes in market prices and therefore CPC is not exposed to price risk.

(e) Capital management:

CPC's capital management objectives are to:

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

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

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

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

23. Financial instruments (continued):

(f) Fair values:

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

($ in thousands)	2014		2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at amortized cost				
Accounts receivable	979	979	1,142	1,142
Liabilities carried at amortized cost				
Accounts payable and accruals	3,419	3,419	4,379	4,379
Loans and borrowings	19,894	20,000	19,891	23,588
	23,313	23,419	24,270	27,967

Given the short term nature of the accounts, management estimates that the carrying amounts for accounts receivable, accounts payable and loans and borrowings (2014 only) approximate their fair values.

Management has made the following assumptions in determining the fair value of loans and borrowings (for 2013 only):

- the discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable; and
- basing the interest rate used to discount estimated cash flows on the promissory note outstanding on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2014, management selected an interest rate of 4.4%.

23. Financial instruments (continued):

(f) Fair values (continued):

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2014				
Financial assets held for trading	74,557			74,557
March 31, 2013				
Financial assets held for trading	90,627			90,627

24. Operating leases:

CPC has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of $167,000 per year. The initial lease term was for 10 years (5 years remaining as at March 31, 2014). The lease has a renewal period of 10 years at fair market rents at the option of CPC.

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

During the year ended March 31, 2014, an amount of $188 thousand (2013 - $189 thousand) was recognized as an expense in profit or loss in respect of operating leases. These expenditures are considered related party transactions and included in “Purchases from related party” in note 28.

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

($ in thousands)	**2014**	**2013**
Less than 1 year	152	148
Between 1 and 5 years	646	798
More than 5 years	-	-
	798	946

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

25. Commitments:

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

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

26. Contingencies:

CPC's operating and development power project activities are affected by federal, provincial, and local government laws and regulations. Under its agreements with its bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the shareholders are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

27. Subsequent events:

On April 14, 2014, CPC issued a $335 million CPC Series A debenture to the Province that bears a coupon rate of 3.2% and matures June 18, 2044. CPC received net proceeds of $300,667,000 after discount, accrued interest and fees. With these proceeds, CPC paid the Province $280 million, representing a $250 million reduction of capital of CPC and the payment of a $30 million dividend to the Province as sole shareholder (see notes 16 and 22). CPC also repaid a $20 million loan from CBT Energy (see note 14).

28. Related parties and related party transactions:

(a) Parent company:

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

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

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

(b) Due from and sales to related parties:

($ in thousands)	2014		2013	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	-	3,692	-	3,384
BEPC	146	1,352	145	1,455
ALPC	199	1,376	188	1,306
BPC	125	861	99	825
WELP	416	1,832	637	1,816
	886	9,113	1,069	8,786

The Due from Related Party of $886 thousand at March 31, 2014 (2013 - $1,069 thousand) is included in the “Accounts receivable” line item in the Consolidated Statement of Financial Position. The Sales to WELP of $1,832 thousand for the year ended 2014 (year ended 2013 - $1,816 thousand) are included in the “Revenue” line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2014, CPC as the project manager for BC Hydro of the Arrow Lakes Boat Launch project charged BC Hydro on a cost recovery basis for staff compensation relating to project management and stakeholder relations, and for payment of 3rd party invoices relating to the construction of the Arrow Lakes boat launches. The total amount recovered for fiscal 2014 of $3,692 thousand (2013 - $3,384 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

During the year, CPC as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for fiscal 2014 of $3,589 thousand (2013 - $3,586 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

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

(c) Due to and purchases from related parties:

($ in thousands)	2014		2013	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	-	-	986	-
CBT and affiliates	667	1,554	621	1,636
Province	111	126	150	332
BC Pension Corp	168	364	179	363
WELP	747	-	-	-
	1,693	2,044	1,936	2,331

The Due to Related Party of $1,693 thousand at March 31, 2014 (2013 - $1,936 thousand) is included in the “Accounts payable” line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $2,044 thousand for the year ended 2014 (year ended 2013 - $2,331 thousand) are included in the Finance costs” line item on the Consolidated Statement of Comprehensive Income, the “Property, plant, & equipment” line item on the Consolidated Statement of Financial Position, and the “Administration and management” line item in Other expenses – note 20.

(d) Pension plan:

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

(e) Loan from related party:

At March 31, 2013 and 2014, CPC has a promissory note outstanding payable to CBT Energy Inc. Details of this promissory note are provided in note 14.

(f) Dividends and equity payable to related party:

During the year, CPC declared dividends of $32 million to the Province (2013 - $2 million) as per note 22. In addition, CPC accrued $250 million payable to the Province as per note 16.

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

(g) Executive management compensation and board compensation:

(i) Executive management compensation:

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

In fiscal 2013, each of the members of the corporate management had a bonus scheme which could give them an annual payment of up to 10% of base salary. In fiscal 2014, the management bonuses were phased out as a result of the Province's new policy on executive compensation in Crown corporations. Instead, members of the corporate executive now have a holdback scheme which can give them an annual non-pensionable holdback payment of up to 8% of base salary. The holdback is paid on the basis of achieving corporate and individually specified objectives. Holdbacks and management bonuses accrued in the fiscal year and paid in the subsequent year are shown in note 13.

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

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

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

For the year ended March 31 **($ in thousands)**	**2014**	**2013**
Public Service Superannuation Plan	86,134	91,069
Standard Benefits	53,499	63,144
	139,633	154,213

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

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

(i) Executive management compensation (continued):

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ending March 31, 2014 amounted to $1,191 thousand (March 31, 2013 - $1,473 thousand) as follows:

Year ending March 31, 2014
Remuneration paid – Executive management

Name	Position	Salary	Bonus	Other	Expenses	Total
Wszelaki, Frank	Chief Operating Officer/Current President and CEO	186,767	15,976	16,790	32,238	251,771
Bird, Jane	Former President & CEO	83,332	-	4,487	30,856	118,675
Ambrosone, Giulio	VP, Capital Projects	182,333	16,871	14,883	1,823	215,910
Hirji, Karim	VP, Business Development	169,427	12,938	23,521	27,508	233,394
Sue Dyer	VP, Operations	30,620	5,000	1,254	7,151	44,025
de Git, David	Director, Finance	144,936	11,930	11,507	10,163	178,536
Marino, Frank	Director, Human Resources & Corporate Services	110,008	-	-	-	110,008
Martin, Debbie	Former VP, Human Resources & Corporate Services	26,553	5,627	6,078	495	38,753
		933,976	68,342	78,520	110,234	1,191,072

Year ending March 31, 2013
Remuneration paid – Executive management

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

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

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

(ii) Board compensation:

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ending March 31, 2014 was $92 thousand (year ending March 31, 2013 - $88 thousand) as follows:

Year ending March 31, 2014
Members of the Board of Directors

Name	Position	Retainers	Meeting Fees	Expenses	Total
Doney, Lee	Chair, Board	15,000	3,250	5,154	23,404
Deck, Gregory	Member, Board	9,500	3,750	2,626	15,876
White, Lillian	Member, Board	10,500	3,500	1126	15,126
Stanley, Tim	Member, Board	9,500	3,000	591	13,091
Deane, Kim	Member, Board	7,500	3,500	2,297	13,297
Newton, Tim	Member, Board	7,500	3,250	491	11,241
		59,500	20,250	12,285	92,035

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

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