

Columbia Basin Trust

**2015/16
ANNUAL SERVICE PLAN REPORT**



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Board Chair's Accountability Statement



Every year, we're proud to announce we've been able to increase support to Columbia Basin residents as they work to strengthen our region's social, economic and environmental well-being. We're pleased to say 2015/16 was no different.

This year was a financial milestone delivering \$31 million in benefits, and we were able to enhance our methods of supporting residents. The process began in 2014 when we started a year-long engagement with the public. Thanks to the input we received, we have now renewed our Columbia Basin Management Plan strategic priorities for 2016 to 2020. Over this period, we will focus our efforts on 13 strategic priorities. We have also outlined four methods of support, three of which we have previously used—financial investments, initiatives and grants—and one which is new: impact investments, in which financial return is secondary to other positive community impacts. We've already made headway by implementing a new Impact Investment Fund, Recreation Infrastructure Grants and Non-profit Advisors Program.

In our performance measures, our power projects are consistently above target, and our private placements are again below target due to continuing low interest rates; new targets have been established to more accurately reflect ongoing realities. Our market securities were below target due to financial market volatility. While we met our targets regarding the maturity of our planning and risk management practices, we varied positively from our target for corporate operations due to lower staff expenses and professional fees. We also measure how we are perceived by Basin residents and Trust partners every two years. We are considering ways to improve our performance measures to more clearly link activities to expected outcomes.

Our Investment Program supports our delivery of benefits and corporate operations, and overall the portfolio performed well. Our revenues in 2015/16 totaled over \$48 million, an increase from our budget of nearly \$34 million. With higher revenues, we were able to deliver more benefits than expected: over \$31 million as compared to the budget of over \$25 million.

Our increasing revenues are due primarily to Waneta Expansion being fully operational and a new power sales agreement for Arrow Lakes Generating Station. Our updated strategic priorities and support methods help us to best allocate this revenue to support Basin priorities effectively.

The *Columbia Basin Trust 2015/16 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16–2017/18 Service Plan*. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Rick Jensen". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

Rick Jensen
Board Chair

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Chair/CEO Report Letter



The Trust operates under the Taxpayer Accountability Principles which strengthen accountability, promote cost control and ensure we operate in the best interests of Basin residents and the Province as shareholder.

As part of good shareholder relations, and in compliance with Taxpayer Accountability Principles, the Trust met with the minister responsible and deputy minister regularly over the past year to discuss progress on the objectives identified in the Mandate Letter, as well as other matters. Specifically, we continue to work with the Province, local governments and First Nations in the region to develop an aligned Board appointment process that ensures the Trust Board has the requisite balance of skills to lead the organization.



The Taxpayer Accountability Principles have also been embedded in new employee and director orientations. All staff and directors received a briefing on the new Taxpayer Accountability Principles, and new directors receive an orientation from the Chair and CEO. The orientation process will be formally reviewed, as appropriate, in the future.

A handwritten signature in black ink that reads "Rick Jensen". The signature is fluid and cursive.

Rick Jensen
Board Chair

A handwritten signature in black ink that reads "Neil Muth". The signature is fluid and cursive.

Neil Muth
President and Chief Executive Officer

Purpose of Organization

Columbia Basin Trust was formally established in 1995 by the [Columbia Basin Trust Act](#). The Trust supports the efforts of the people who live in British Columbia's Columbia Basin, working with them to deliver social, economic and environmental benefits to the Columbia Basin Trust region. Using the income from its investments, the Trust develops, implements and manages programs and initiatives that respond to community and regional needs, working closely with Basin organizations and residents throughout the process.

We serve the region by:

- **investing** in Basin power projects, businesses and real estate.
- **engaging** with residents to understand priorities.
- **facilitating**, convening and providing access to information to deepen our collective understanding of issues.
- **partnering** with organizations that have complementary objectives and expertise in particular issues or sectors to work toward attaining common goals.
- **developing programs** that address specific needs linked to our strategic objectives, delivered by the Trust or partners.
- **providing grants** to a wide range of community projects, as well as to the social, economic, environment, youth, and arts and culture sectors, administered by the Trust or by partners.

The Trust has two core functions:

1. Invest capital and manage the assets of the Trust (Investment Program).
2. Use the income earned from the Trust's investments to deliver benefits to the Basin (Delivery of Benefits).

The Trust has one operating subsidiary—Columbia Basin Broadband Corporation—which is working with Basin communities and rural areas to improve high-speed connectivity through a region-wide fibre optic cable network. The Trust also has eight holding companies that hold our interests in investments: see Appendix A for a list.

Strategic Direction and Context

Numerous agreements establish the role and responsibilities of the Province of British Columbia and the Trust. These include the 1995 [Financial Agreement](#) and the [Columbia Basin Trust Act](#). Within the provincial government, the Minister of Energy and Mines is responsible for the Trust.

The Trust has dual accountability to both the residents of the Columbia Basin and to the Province, its shareholder. The Trust sets its priorities and goals in consultation with the residents of the region, and the Trust makes decisions related to its investments and Delivery of Benefits activities within the context of its legislation and Board-approved Statement of Investment Policies and Procedures.

The Trust also operates under the [Taxpayer Accountability Principles](#) and an annual [Mandate Letter](#), which defines specific priority actions for the Trust and describes accountability principles on which the Trust and the Province have agreed.

Thanks to the input of Basin residents through the Our Trust, Our Future engagement process, we have renewed our Columbia Basin Management Plan and identified 13 priority areas that will be the focus of our activities until 2020. The completion of Waneta Expansion and a new power sales agreement at Arrow Lakes Generating Station have resulted in a material increase in revenue. These increased resources will be available to support our efforts in addressing the 13 priority areas, which we will do through four main methods: initiatives, grants, investments for financial purposes and investments for broader community impact purposes.

The performance of our investments link in part to the larger regional and global economy. Our investment portfolio performed well during 2015/16 despite ongoing challenges in the broader financial and commodity markets. It requires ongoing oversight to ensure risk is appropriately managed and the long-term forecasted returns are realized.

Report on Performance

The 2015/16 Mandate Letter set out two high-level objectives agreed to by the Province and the Trust.

1. Completion of the engagement process that will culminate in a renewed Columbia Basin Management Plan as well as new strategic frameworks and initiatives to address community priorities.

Results: We successfully completed the Our Trust, Our Future engagement process and renewed the Columbia Basin Management Plan for 2016 to 2020. We identified 13 priority areas and confirmed four methods that will support efforts to address community priorities.

2. Discussions with local governments, First Nations and provincial partners with respect to Board appointments to ensure that appointees have the requisite skills to lead the organization.

Results: Two new provincial appointees were confirmed during the year following a consultative process with the minister responsible to ensure the appropriate balance of skills and experience on the Trust Board.

Consistent with the principles of the Taxpayer Accountability Principles, we have adopted several performance and efficiency measures. Financial returns from Power Projects, Private Placements and Market Securities each have defined long-term performance expectations. Power Project returns of 11.9 per cent exceeded the objective of 8 per cent, Private Placement returns of 5.6 per cent were below the objective of 8 per cent, and Market Securities returns of (1.7) per cent were below the 6 per cent objective.

Three measures for corporate operations have also been adopted in a form consistent with Taxpayer Accountability Principles. Maturity of planning practices, maturity of risk management practices and budget variances for corporate operations are all indicators of efficiency and effectiveness. The Trust met or exceeded each of these measures.

Goals, Strategies, Measures and Targets

We have established three goals to help us track how we are achieving our mandate to manage our assets for the ongoing benefit of the region, our vision of social, economic and environmental well-being in the Basin, and efficiency in our internal operations.

Prudently managing our assets will generate the financial returns required to support Delivery of Benefits activities, fund corporate operating expenses and allow for additional future investment.

Goal 1: Investment Program

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

Strategies

- Communicate directly with financial partners throughout the Basin to originate high-quality investment opportunities.
- Develop strong working relationships with the management of companies in which the Trust has invested to fully appreciate risk, as well as uncover future opportunities.
- Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
- Continue to work closely with our power project partners to ensure the greatest long-term value of the assets.

Performance Measure 1.1: Return on Power Projects

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Return on Power Projects	10.7%	11.2%	10.7%	8%	11.9%	8%	8%

Data Source: Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

Discussion

- The completion of the Waneta Expansion Project in spring 2015, as well as a new power sales agreement at Arrow Lakes Generating Station in January 2016, resulted in materially higher returns than previous years. The methodology used to calculate financial returns from Power Projects will reflect that all projects are now in operation and there are no further projects in development at this time. This new calculation methodology will result in moderately lower calculated returns going forward. To align expected performance with long-term objectives, in the next service plan the target will be 10 per cent. This category of investment includes power projects located in the Basin.
- Because the structure of our investments is challenging to reconcile against those commonly observed in the private market, it is difficult to compare the performance of Power Projects against other hydroelectric facilities. Despite this, we arrived at performance objectives by evaluating historical performance and balancing those returns against those forecast in future years.
- A cash-based return on investment methodology clearly links the returns to cash that would be available for Delivery of Benefits and corporate operations. This methodology is being refined as indicated above.

Performance Measure 1.2: Return on Private Placements

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Return on Private Placements	2.5%	6.1%	4.7%	8%	5.6%	8%	8%

Data Source: Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

Discussion

- This category of investment includes direct investments and loans to Basin-based commercial businesses and investments in real estate.
- The Trust is limited to investing in a relatively small geographic region. With the exception of a few larger credit unions (too small a sample size to establish performance benchmarks), there are no reasonable market comparables from which we can base a performance objective. We therefore arrived at performance objectives by evaluating historical performance and balancing those returns against those forecast in the future.
- We chose a cash-based return on investment methodology.
- In 2015/16, returns on Private Placements of 5.6 per cent were below the long-term 8 per cent target. The variance is a result of the continued low interest rate environment given the majority of loans linked to the prime lending rate. The long-term objective will be changing to 6 per cent in next year's service plan to reflect the realities of the current and near-term interest rate environment.

Performance Measure 1.3: Return on Market Securities

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Return on Market Securities	7.8%	14.2%	12.1%	6%	(1.7)%	6%	6%

Data Source: Returns are calculated by BC Investment Management Corporation in accordance with Global Investment Performance Standards.

Discussion

- This category of investment includes a diversified portfolio of publicly traded financial instruments, including bonds and equities.
- To determine the Market Securities target, we considered forecasted returns of similarly constructed securities portfolios, as well as historical returns observed in the general marketplace. BC Investment Management Corporation provided information in support of this objective.
- In 2015/16, returns on Market Securities were below the 6 per cent target. Financial markets experienced significant volatility with a material downward trend through the latter quarters of the prior fiscal year. Financial markets are inherently difficult to predict in the short term; however, we continue to believe the 6 per cent long-term objective is appropriate, as reflected in our *2016/17-2018/19 Service Plan*.

Goal 2: Delivery of Benefits

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities.

Strategies

- Encourage long-term stewardship of the Basin’s natural assets and help build the ability to take action to meet environmental challenges.
- Actively foster and support local and regional economic resiliency and well-being.
- Help communities respond to social issues and make social considerations part of strengthening community well-being.
- Work with communities and youth to enhance youth opportunities and engagement.
- Support Basin residents to increase their awareness and understanding of water issues, and take steps to address these issues.
- Support local communities and regions in identifying and meeting their priorities.

Performance Measures 2.1 and 2.2: Assessment by Basin Residents and Trust Partners of the Trust’s Effectiveness

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Assessment by Basin Residents of the Trust’s Effectiveness	74%	N/A	80%	N/A	N/A	Over 70%	N/A
Assessment by Trust Partners of the Trust’s Effectiveness	94%	N/A	97%	N/A	N/A	Over 90%	N/A

Data Source: The Trust engaged a professional market research firm to conduct these surveys, which provides outside verification. We are also able to compare these survey results to the feedback we receive directly through our ongoing relationships with residents and partners, including our current engagement process.

Discussion

- With the completion of the Basin-wide public engagement that helped us renew our strategic priorities, we will now be reflecting on the existing performance measures for Delivery of Benefits activities.
- We first measured perceptions in late 2010, and have since conducted the surveys every two years.
- Measuring the Trust’s performance in the area of Delivery of Benefits is a challenge given that the organization has a broad mission and mandate, that the Trust plays a variety of roles (funder, facilitator, information resource, etc.) and that our activities often have qualitative as opposed to quantitative outcomes.
- Assessment by Basin residents:
 - As the Trust is accountable to Basin residents, and as the organization ultimately supports efforts of residents and the well-being of the region, we are measuring whether Basin residents feel the Trust is making a positive

difference in their lives and in communities and how these perceptions change over time. This gives us meaningful feedback on whether our key stakeholders feel we are fulfilling our mission, and helps us understand our impacts and overall effectiveness.

- In 2014/15, the maximum margin of error on the sample of 800 residents was $\pm 3.5\%$, at the 95 per cent level of confidence (i.e. 19 times out of 20).
- Assessment by Trust partners:
 - We are also measuring the perceptions of our partners, which deliver many of our programs and initiatives to residents. We have a wide range of partners, including local governments, regional non-profit bodies and organizations that have social, economic, environmental and/or youth mandates.
 - In 2014/15, of 97 partners who were contacted to participate in the study, 71 completed the telephone survey, representing a 73 per cent response rate. The maximum margin of error on the total sample of 71 partners was ± 6.1 per cent, at the 95 per cent level of confidence (i.e. 19 times out of 20). This level of accuracy accounts for the finite population factor that is applied to samples taken from populations of limited size.

Goal 3: Corporate Operations

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

Strategies

- Maintain risk management registers and support a culture of risk management and awareness.
- Review and implement improvements to the various business processes that support the Trust’s activities, including processes related to contract management, records management and information management systems.
- Ensure the Trust is viewed as an employer of choice, including by developing human resources strategies and supports, such as an individualized employee performance framework and appropriate benefits.
- Implement appropriate sustainability principles and practices in the Trust’s everyday activities, including through the execution of a corporate carbon neutral plan.

Performance Measure 3.1: Maturity of Planning Practices

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Maturity of Planning Practices	3	3	3.5	3.5	3.5	4	4

Data Source: The Trust’s Executive Management Committee assesses performance against four levels of criteria that were developed by third-party consultants.

Discussion

- This measure helps ensure that planning—including prioritization, business and operational planning and the allocation of resources—is fully indoctrinated within the organization.

- Practices are assessed on a scale of 1 to 4, where 1 means there are no high-level plans and 4 reflects a fully mature state.
- In 2015/16, we met our target of 3.5.
- In response to evolving corporate needs and requirements, we will be reflecting on this existing performance measure for Corporate Operations.

Performance Measure 3.2: Maturity of Risk Management Practices

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Maturity of Risk Management Practices	2.5	3	3.5	3.5	3.5	4	4

Data Source: The Trust’s Executive Management Committee assesses performance against four levels of criteria that were developed by third-party consultants.

Discussion

- This measure helps ensure the organization makes progress toward regularly identifying, reviewing and managing enterprise-wide risk.
- Practices are assessed on a scale of 1 to 4, where 1 means we have not identified the types of corporate risks that can undermine our ability to achieve our mandate and priorities, and 4 reflects a fully mature state.
- In 2015/16, we met our target of 3.5.
- In response to evolving corporate needs and requirements, we will be reflecting on this existing performance measure for Corporate Operations.

Performance Measure 3.3: Budget Variance for Corporate Operations

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Budget Variance for Corporate Operations	(5.3%)	(5.8%)	(5.2%)	Under 5%	(5.6%)	Under 5%	Under 5%

Data Source: The data is calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

Discussion

- This measure helps us assess our ability to forecast appropriately, set realistic budgets and manage our resources effectively.
- Budget variance is calculated as the difference between the budget for Corporate Operations, approved by our Board of Directors in November each year, and actual results, as reported in our consolidated financial statements at the fiscal year-end.
- In 2015/16, we were under budget by 5.6 per cent, due to lower expenditures in staff salaries and benefits, and professional fees.

Financial Report

Discussion of Results

Revenues

Our 2015/16 actuals differ from the budget primarily due to increased revenues from power projects, market securities and other revenues.

- *Power projects:* Revenues from power projects were higher than budgeted due to three factors:
 - All projects once again performed well throughout the year, resulting in fewer outages than anticipated.
 - A new power sales agreement took affect at the Arrow Lakes Generating Station, increasing power project revenues.
 - A significant one-time receivable was recorded for income related to the development of the Waneta Expansion Project. The agreement with the Waneta Expansion Limited Partnership (WELP) outlines that WELP will pay, to a jointly owned subsidiary of the Trust and Columbia Power Corporation, the lesser of a) \$635.1 million minus the design-build costs, or b) \$20 million. Management has estimated that the design-build costs will be \$603.5 million and therefore have recorded a \$20-million receivable as other income (discounted to the present value of \$19.2 million). As at March 31, 2016, the Trust's portion of this income and receivable was \$8 million.
- *Market securities:* While the overall market did have a negative impact on our market securities portfolio over the past year with an unrealized loss of \$3 million, we experienced higher than anticipated realized returns of \$2 million.
- *Other revenues:* The Trust received a one-time payment of \$868,000 from Columbia Power Corporation to equalize the benefits of eliminating Teck's residual interest in the Waneta Expansion Project.

Delivery of Benefits Expenses

Delivery of Benefits expenses for 2015/16 (less rescinds/refunds) totaled \$31.5 million in 2015/16, an increase of \$6 million over the budget. With this expected increase to budgeted revenues, the Trust was able to renew a three-year commitment with regional partners totaling \$12.7 million for the Trust's long-standing Community Initiatives and Affected Areas Programs, and was also able to support the College of the Rockies' new training centre with a funding commitment of \$1 million. The Trust continued to support environment, social and youth initiatives through its intake programs and these commitments totaled \$2.7 million.

Administration Expenses

Administration expenses for 2015/16 totaled \$6.3 million, which came in under budget by \$368,000.

Financial Resource Summary Table

\$ thousands	2011/12 Actual (restated)	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget*	2015/16 Actual	2015/16 Budget Variance	2014/15 -15/16 Variance
Revenues								
Power Projects	\$16,371	\$19,734	\$22,825	\$22,514	\$23,584	\$34,954	\$11,370	\$12,440
Waneta Expansion	-	-	-	-	4,149	5,693	1,544	5,693
Market Securities	860	611	1,380	2,558	1,200	2,099	899	(459)
Short-term Investments	2,106	1,613	1,208	946	1,000	745	(255)	(201)
Loan Income	1,135	1,130	1,135	28	-	-	-	(28)
Private Placements: Commercial Loans	1,163	925	1,121	1,528	1,780	1,722	(58)	194
Private Placements: Real Estate	627	818	886	1,069	1,228	1,262	34	193
Broadband	(110)	400	292	405	500	449	(51)	44
Recoveries	786	367	382	364	347	368	21	4
Grant Revenues	-	-	-	-	-	412	412	412
Other Revenues	-	52	124	124	-	992	992	868
Total Revenue	22,938	25,650	29,353	29,536	\$33,788	48,696	14,908	19,160
Expenses								
Delivery of Benefits								
Community Initiatives	6,945	3,426	7,773	6,866	7,513	17,694	(10,181)	(10,828)
Economic Initiatives	2,176	2,304	6,592	5,074	2,280	1,347	933	3,727
Water and Environment Initiatives	5,602	6,118	3,491	3,428	2,965	4,941	(1,976)	(1,513)
Social Initiatives	1,880	5,431	1,674	2,606	1,765	1,328	437	1,278
Broadband Initiatives**	-	558	1,234	1,563	3,500	5,096	(1,596)	(3,533)
Youth Initiatives	611	1,203	614	1,166	744	720	24	446
Other Initiatives	62	47	320	677	6,768	416	6,352	261
Total Delivery of Benefits	17,276	19,087	21,698	21,380	25,535	31,542	(6,007)	(10,162)
Administration								
Amortization	448	391	438	427	395	389	6	38
Board and Committee	162	200	146	174	185	132	53	42
Communications	318	130	185	164	190	172	18	(8)
Corporate Travel and Meetings	247	218	189	239	210	192	18	47
Information Technology	189	105	81	119	200	193	7	(74)
Office and General	474	534	532	577	590	667	(77)	(90)
Professional Fees	388	370	404	429	390	260	130	169
Staff Remuneration and Development	3,952	3,968	3,924	3,978	4,455	4,242	213	(264)
Total Administration	6,178	5,916	5,899	6,107	6,615	6,247	368	(140)
Total Expenses	23,454	25,003	27,597	27,487	32,150	37,789	(5,639)	(10,302)
Private Placements: Impairment Loss	-	1,400	-	625	-	-	-	(625)
Annual Surplus/(Deficit)	\$(516)	\$(753)	\$1,756	\$1,424	\$1,638	\$10,907	\$9,269	\$9,483
Total Debt	\$-	\$1,056	\$1,029	\$1,000	970	925	45	75
Accumulated Surplus	\$410,574	\$410,919	\$414,646	\$419,130	\$419,920	\$426,780	\$6,860	\$7,650
Capital Expenditures	\$37,660	\$26,389	\$18,308	\$12,199	\$5,669	\$4,954	\$715	\$7,245

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

* The 2015/16 Budget included in this table was approved by the Trust Board of Directors in November 2014. The forecast included in the 2015/16–2017/18 Service Plan in the Trust's financial outlook table was derived from the Treasury Board Submission of January 2015, which included the most recent forecasts at that time.

** Broadband Initiatives includes direct CBBC costs, as well as other broadband initiatives funded directly by both CBBC and the Trust for the benefit of the Basin.

Consolidated Financial Statements

AS AT MARCH 31, 2016

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Responsibility for Financial Reporting

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

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

The independent external auditors, KPMG, Chartered Accountants, have been appointed by the Trust's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian public sector accounting standards. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



Neil Muth
President and CEO



Christine Lloyd, CPA, CGA
Director, Finance and Operations



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INDEPENDENT AUDITORS' REPORT

To the Directors of Columbia Basin Trust, and
To the Minister of Energy and Mines:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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



Opinion

In our opinion, the consolidated financial statements of Columbia Basin Trust as at March 31, 2016 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

May 27, 2016

Burnaby, Canada

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands)

AS AT MARCH 31	2016	2015
		(Recast - Note 3)
FINANCIAL ASSETS		
Cash	\$ 2,369	\$ 4,268
Accrued interest and other accounts receivable (Note 4)	2,142	1,056
Short-term investments (Note 5)	35,999	36,379
Market securities (Note 6)	51,685	52,588
Private placements - commercial loans (Note 7)	39,570	33,020
Private placements - commercial investment (Note 8)	2,375	2,375
Private placements - real estate investments (Note 9)	6,101	6,364
Investment in Waneta Expansion Limited Partnership (Note 10)	109,284	107,915
Investment in power projects (Notes 3 and 11)	203,707	196,901
	<u>453,232</u>	<u>440,866</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,064	934
Long-term debt (Note 12)	925	1,000
Delivery of Benefits initiatives liabilities (Note 13)	31,456	27,028
	<u>34,445</u>	<u>28,962</u>
Net Financial Assets	418,787	411,904
NON-FINANCIAL ASSETS		
Prepaid expenses	156	182
Tangible capital assets (Note 14)	7,837	6,788
	<u>7,993</u>	<u>6,970</u>
ACCUMULATED SURPLUS	\$ 426,780	\$ 418,874
Accumulated Surplus is comprised of:		
Accumulated Surplus	\$ 423,644	\$ 412,737
Accumulated Remeasurement Gain	3,136	6,137
	<u>\$ 426,780</u>	<u>\$ 418,874</u>

COMMITMENTS (Note 18) and **SUBSEQUENT EVENTS** (Note 24)

Approved on behalf of the Board of Directors:

Rick Jensen
Chair

Amed Naqvi
Chair, Finance and Audit Committee

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands)

FOR THE YEAR ENDING MARCH 31	Budget	2016	2015
	(Note 23)		(Recast - Note 3)
REVENUES			
Power projects (Notes 3 and 11)	\$ 23,584	\$ 34,954	\$ 22,258
Waneta Expansion (Note 10)	4,149	5,693	-
Market securities	1,200	2,099	2,558
Private placements - commercial loans	1,780	1,722	1,528
Private placements - real estate investments (Note 9)	1,228	1,262	1,069
Other revenues (Note 16)	-	992	152
Short-term investments	1,000	745	946
Broadband operations	500	449	405
Grant revenues (Note 15)	-	412	-
Recoveries (Note 19)	347	368	364
	33,788	48,696	29,280
EXPENSES (Note 17)			
Broadband initiatives	3,500	5,096	1,563
Community initiatives	9,597	19,088	8,753
Economic initiatives	2,586	1,972	5,322
Investment initiatives	606	712	585
Other initiatives	8,215	1,886	2,100
Social initiatives	2,376	1,861	3,106
Water and Environment initiatives	3,938	5,942	4,416
Youth initiatives	1,332	1,232	1,642
	32,150	37,789	27,487
Private placements - impairment loss (Note 8)	-	-	(625)
ANNUAL SURPLUS	\$ 1,638	\$ 10,907	\$ 1,168

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

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

FOR THE YEAR ENDING MARCH 31	2016	2015
		(Recast - Note 3)
Accumulated remeasurement gains, beginning of year (Note 3)	\$ 6,137	\$ 3,077
Unrealized gains/(losses) on market securities	(2,126)	4,392
Realized gains reclassified to the Statement of Operations	(875)	(1,332)
Net remeasurement gains/(losses) for the year	(3,001)	3,060
ACCUMULATED REMEASUREMENT GAINS, end of year (Note 6)	\$ 3,136	\$ 6,137

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS
(in thousands)

FOR THE YEAR ENDING MARCH 31	2016	2015
		(Recast - Note 3)
Accumulated surplus, beginning of year (Note 3)	\$ 412,737	\$ 411,569
Annual surplus	10,907	1,168
ACCUMULATED SURPLUS, end of year	\$ 423,644	\$ 412,737

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

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

FOR THE YEAR ENDING MARCH 31	Budget (Note 23)	2016	2015 (Recast - Note 3)
ANNUAL SURPLUS	\$ 1,638	\$ 10,907	\$ 1,168
Acquisition of prepaid expenses	-	(156)	(182)
Use of prepaid expenses	-	182	61
Acquisition of tangible capital assets	-	(1,872)	(1,671)
Disposal of tangible capital assets	-	77	-
Amortization of tangible capital assets	395	746	644
	395	(1,023)	(1,148)
Effect of remeasurement gain	-	(3,001)	3,060
Change in Net Financial Assets	2,033	6,883	3,080
NET FINANCIAL ASSETS, beginning of year	411,904	411,904	408,824
NET FINANCIAL ASSETS, end of year	\$ 413,937	\$ 418,787	\$ 411,904

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

FOR THE YEAR ENDING MARCH 31	2016	2015
		(Recast - Note 3)
CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES		
Cash received from private placements - commercial loans	\$ 1,635	\$ 1,370
Cash received from broadband operations	2,288	195
Cash received from short-term investments	1,619	971
Cash received from market securities	2,099	2,558
Cash received from loan receivable	-	28
Cash received from tenants	416	453
Cash paid for operating expenses	(7,568)	(5,613)
Cash paid for Delivery of Benefits obligations	(25,465)	(15,675)
	<u>(24,976)</u>	<u>(15,713)</u>
CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES		
Investment in Waneta Expansion Limited Partnership	(1,370)	(9,273)
Purchase of short-term investments and market securities	(187,890)	(197,027)
Redemption of short-term investments and market securities	186,172	185,807
Issuance of commercial loans	(15,611)	(20,566)
Repayment of commercial loans	9,015	11,708
Dividends received from real estate investments	1,525	1,372
Dividends received from Waneta Expansion	5,693	-
Dividends received from power projects investments	28,148	25,215
	<u>25,682</u>	<u>(2,764)</u>
CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS		
Purchase of tangible capital assets, net of disposals	(1,795)	(1,671)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Repayment of loan to Columbia Power Corporation	-	20,000
Repayment of debt	(110)	(63)
Advances to Brilliant Power Corporation	(700)	-
	<u>(810)</u>	<u>19,937</u>
DECREASE IN CASH	(1,899)	(211)
CASH, beginning of year	4,268	4,479
CASH, end of year	\$ 2,369	\$ 4,268

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

1. NATURE OF COLUMBIA BASIN TRUST

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Trust are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Trust are as follows:

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (Section 23.1) supplemented by Regulations 257/2010 and 198/2011 (Regulations) issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for over the fiscal periods during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- (i) government transfers that do not contain a stipulation that creates a liability be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- (ii) externally restricted contributions be recognized as revenue in the period in which the stipulations are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards. The application of Section 23.1 and Regulations did not impact comparative figures as no contributions had been received for the purpose of acquiring or developing a depreciable tangible capital asset prior to April 1, 2015. The impact of Section 23.1 and Regulations were applied to contributions received in fiscal year 2016.

(b) Basis of presentation

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

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

The trust consolidates its wholly owned and controlled subsidiary Columbia Basin Broadband Corporation.

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

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

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

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

(c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the construction of the asset. The cost, less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the expected useful lives as follows:

	Years
Buildings	25 - 30
Leasehold improvements	5 - 8
Office furniture and equipment	5
Hardware and software	3 - 7
Broadband hardware	3 - 15
Fibre optics	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

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

(d) Revenue recognition

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

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for over the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

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

(e) Expenses

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

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

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

(f) Taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

(g) Foreign currency translation

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

(h) Financial instruments

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The Trust has designated its financial instruments as follows:

i. Cash

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

ii. Short-term investments

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

iii. Market securities

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

iv. Investment in Waneta Expansion Limited Partnership

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

v. Private placements and loans receivable

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

vi. Debt and other financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

(i) Employee future benefits

The Trust and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, the Trust's contributions are expensed as paid. Non-vesting sick leave benefits accrue to the Trust's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The liability related to these benefits was actuarially determined based on length of service, best estimate of retirement ages and expected future salary and wage increases. The liability is accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits. The Trust estimated and determined its obligation for short-term disability benefits to be immaterial to recognize.

(j) Measurement uncertainty

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

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

(k) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the Trust is directly responsible or accepts responsibility;
- iv) it is expected that future economic benefits will be given up; and
- v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation and immaterial recast adjustments to prior period figures were recognized as described below.

The comparative figures have been recast to correct for an overstatement of investment in power projects and an understatement of amortization expense in fiscal year 2015 in the amount of \$256,000 relating to Arrow Lakes Power Corporation.

The comparative figures have also been recast to correct for unrealized gains previously recorded in Accumulated Surplus in the amount of \$546,000, reclassified to Accumulated Remeasurement Gains as at April 1, 2014 and March 31, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

The comparative financial statements have been recast to reflect the changes as follows:

2015	As previously reported	Adjustment	As recast
Power projects revenues	\$ 22,514	\$ (256)	\$ 22,258
Investment in power projects	\$ 197,157	\$ (256)	\$ 196,901

The net result on accumulated surplus was as follows:

2015	As previously reported	Adjustment	As recast
Accumulated surplus, opening balance	\$ 412,115	\$ (546)	\$ 411,569
Annual surplus	1,424	(256)	1,168
Accumulated remeasurement gains	5,591	546	6,137
Accumulated surplus, ending balance	\$ 419,130	\$ (256)	\$ 418,874

There was no impact on the aggregate accumulated surplus at April 1, 2014.

4. ACCRUED INTEREST AND OTHER ACCOUNTS RECEIVABLE

Accrued interest and other accounts receivable consist of accrued interest on short-term investments, receivables and recoveries for management and information technology services.

5. SHORT-TERM INVESTMENTS

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

	Fair value hierarchy level	2016	2015
Term securities: measured at amortized cost	-	\$ 35,999	\$ 36,379

6. MARKET SECURITIES

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

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

	Fair value hierarchy level	2016	2015
Market value	1	\$ 51,685	\$ 52,588
Cost		48,549	46,451
Accumulated remeasurement gains		\$ 3,136	\$ 6,137

During fiscal year 2016, the Trust recognized realized gains on market securities of \$875,000 (2015 - \$1.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

7. PRIVATE PLACEMENTS – COMMERCIAL LOANS

The Trust provides commercial loans that are generally secured by real estate and currently have terms extending no further than 25 years.

Commercial loans are as follows:

	2016		2015	
Commercial loans bearing interest from 3.55% to 7.5%	\$	39,849	\$	33,253
Less: general impairment loss		(279)		(233)
	\$	39,570	\$	33,020

8. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment is accounted for as a portfolio investment and measured at cost. In fiscal 2015, an impairment in the value of this investment occurred and a write down of \$625,000 was recorded in the statement of operations. The new carrying value is deemed to be the new cost basis for this investment.

Commercial investment is as follows:

	2016		2015	
Commercial investment	\$	2,375	\$	3,000
Less: specific impairment loss		-		(625)
	\$	2,375	\$	2,375

9. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

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

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

(a) Financial position (at 50%):

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
March 31, 2016							
Castle Wood Village	\$ 233	\$ 3,963	\$ 4,196	\$ 150	\$ 3,501	\$ 3,651	\$ 545
Columbia Village	82	5,320	5,402	199	4,740	4,939	463
Crest View Village	18	4,392	4,410	189	3,725	3,914	496
Garden View Village	59	3,268	3,327	122	2,598	2,720	607
Joseph Creek Village	121	9,408	9,529	360	7,500	7,860	1,669
Lake View Village	160	5,574	5,734	193	4,368	4,561	1,173
Mountain Side Village	73	2,925	2,998	102	2,318	2,420	578
Rocky Mountain Village	124	2,999	3,123	135	2,418	2,553	570
	\$ 870	\$ 37,849	\$ 38,719	\$ 1,450	\$ 31,168	\$ 32,618	\$ 6,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
March 31, 2015							
Castle Wood Village	\$ 223	\$ 4,156	\$ 4,379	\$ 145	\$ 3,640	\$ 3,785	\$ 594
Columbia Village	67	5,543	5,610	193	4,914	5,107	503
Crest View Village	44	4,603	4,647	229	3,896	4,125	522
Garden View Village	41	3,413	3,454	118	2,709	2,827	627
Joseph Creek Village	464	9,458	9,922	347	7,834	8,181	1,741
Lake View Village	53	5,775	5,828	137	4,486	4,623	1,205
Mountain Side Village	64	3,051	3,115	103	2,413	2,516	599
Rocky Mountain Village	112	3,139	3,251	130	2,548	2,678	573
	\$ 1,068	\$ 39,138	\$ 40,206	\$ 1,402	\$ 32,440	\$ 33,842	\$ 6,364

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

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
March 31, 2016									
Opening balance	\$ 594	\$ 503	\$ 522	\$ 627	\$ 1,741	\$ 1,205	\$ 599	\$ 573	\$ 6,364
Dividends paid	(241)	(143)	(183)	(113)	(421)	(176)	(115)	(133)	(1,525)
Surplus	192	103	157	93	349	144	94	130	1,262
	\$ 545	\$ 463	\$ 496	\$ 607	\$ 1,669	\$ 1,173	\$ 578	\$ 570	\$ 6,101

March 31, 2015

Opening balance	\$ 564	\$ 548	\$ 568	\$ 645	\$ 1,850	\$ 1,277	\$ 620	\$ 595	\$ 6,667
Dividends paid	(140)	(143)	(174)	(110)	(404)	(162)	(108)	(131)	(1,372)
Surplus	170	98	128	92	295	90	87	109	1,069
	\$ 594	\$ 503	\$ 522	\$ 627	\$ 1,741	\$ 1,205	\$ 599	\$ 573	\$ 6,364

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

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2016						
Castle Wood Village	\$ 525	\$ 138	\$ 1	\$ 194	\$ 333	\$ 192
Columbia Village	528	197	-	228	425	103
Crest View Village	559	187	5	210	402	157
Garden View Village	362	123	1	145	269	93
Joseph Creek Village	1,094	318	2	425	745	349
Lake View Village	545	192	1	208	401	144
Mountain Side Village	310	90	1	125	216	94
Rocky Mountain Village	374	103	-	141	244	130
	\$ 4,297	\$ 1,348	\$ 11	\$ 1,676	\$ 3,035	\$ 1,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2015						
Castle Wood Village	\$ 525	\$ 152	\$ 6	\$ 197	\$ 355	\$ 170
Columbia Village	528	203	-	227	430	98
Crest View Village	559	205	19	207	431	128
Garden View Village	362	125	1	144	270	92
Joseph Creek Village	1,095	322	70	408	800	295
Lake View Village	545	240	1	214	455	90
Mountain Side Village	310	96	2	125	223	87
Rocky Mountain Village	374	111	14	140	265	109
	\$ 4,298	\$ 1,454	\$ 113	\$ 1,662	\$ 3,229	\$ 1,069

(d) Non-current assets:

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

	Land	Building and Equipment	2016	2015
Operating facilities	\$ 2,728	\$ 49,150	\$ 51,878	\$ 51,497
Less: accumulated amortization	-	(14,029)	(14,029)	(12,359)
	\$ 2,728	\$ 35,121	\$ 37,849	\$ 39,138

(e) Current and non-current liabilities:

i. Long-term debt

Long-term debt consists of mortgage loans that are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 3.26% and 5.57% and will mature on different dates between April 2016 and September 2022. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

ii. Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the mortgage proceeds totaling \$32.2 million.

(f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided a government grant to allow for subsidized suites at the Lake View Village, a seniors housing facility located in Nelson, BC. Under this agreement, Lake View Village received a forgivable loan in the amount of \$855,000 (the Trust's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, \$855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2016, the balance of the forgivable loan was \$855,000 (the Trust's share is 50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

10. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

The Waneta Expansion Limited Partnership (WELP) is a partnership between the Trust, through a wholly owned subsidiary of the Trust, CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holdings Ltd. (32.5% interest), and Fortis Inc. (51% interest). WELP was formed to own and develop the Waneta Expansion Project which is a \$900-million hydroelectric development located downstream from the Waneta Dam in Trail, BC. Construction of this 335-megawatt facility commenced October 1, 2010, and was substantially completed on April 2, 2015. The Trust invested a total of \$1.4 million in fiscal 2016 in the Waneta Expansion Project (fiscal 2015 - \$9.3 million), to bring the Trust's total investment to \$109.3 million (fiscal 2015 - \$107.9 million).

The Trust received dividends in the amount of \$5.7 million in fiscal 2016 from its investment in the Waneta Expansion Limited Partnership.

11. INVESTMENT IN POWER PROJECTS

The Trust's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power Corporation, a party related through common control by the Province. These investments are accounted for as GBP's.

(a) Arrow Lakes Power Corporation

The Trust's wholly owned subsidiary, CBT Arrow Lakes Power Development Corp., has a 50% ownership interest in Arrow Lakes Power Corporation (ALPC). The purpose of ALPC is to operate the 754-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

(b) Brilliant Power Corporation

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

(c) Brilliant Expansion Power Corporation

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

(d) Waneta Expansion Power Corporation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

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

(e) Financial position:

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
March 31, 2016									
ALPC - 50%	\$ 14,331	\$ 112,710	\$ -	\$ -	\$ 127,041	\$ 6,962	\$ 172,168	\$ 179,130	\$ (52,089)
BPC - 50%	7,091	-	157,339	5,378	169,808	7,080	51,421	58,501	111,307
BEPC - 50%	4,768	107,725	-	770	113,263	468	-	468	112,795
WEPC - 42%	-	-	-	31,694	31,694	-	-	-	31,694
	\$ 26,190	\$ 220,435	\$ 157,339	\$ 37,842	\$ 441,806	\$ 14,510	\$ 223,589	\$ 238,099	\$ 203,707
March 31, 2015									
(Recast - Note 3)									
ALPC - 50%	\$ 10,765	\$ 115,267	\$ -	\$ 5,464	\$ 131,496	\$ 5,134	\$ 173,774	\$ 178,908	\$ (47,412)
BPC - 50%	7,273	-	155,530	5,363	168,166	6,233	54,937	61,170	106,996
BEPC - 50%	4,792	110,075	-	903	115,770	815	-	815	114,955
WEPC - 42%	-	-	-	22,362	22,362	-	-	-	22,362
	\$ 22,830	\$ 225,342	\$ 155,530	\$ 34,092	\$ 437,794	\$ 12,182	\$ 228,711	\$ 240,893	\$ 196,901

(f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
March 31, 2016					
Opening balance	\$ (47,412)	\$ 106,996	\$ 114,955	\$ 22,362	\$ 196,901
Dividends paid	(8,237)	(6,790)	(13,121)	-	(28,148)
Surplus	3,560	11,101	10,961	9,332	34,954
	\$ (52,089)	\$ 111,307	\$ 112,795	\$ 31,694	\$ 203,707
March 31, 2015					
(Recast - Note 3)					
Opening balance	\$ (41,900)	\$ 101,846	\$ 118,744	\$ 21,168	\$ 199,858
Dividends paid	(5,465)	(5,600)	(14,150)	-	(25,215)
Surplus	(47)	10,750	10,361	1,194	22,258
	\$ (47,412)	\$ 106,996	\$ 114,955	\$ 22,362	\$ 196,901

(g) ALPC negative equity:

In fiscal 2012, ALPC issued \$350 million in Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the \$45.6 million owing on ALPC's Series A bonds, and the net proceeds of \$285.6 million were distributed by dividend to the shareholders. The dividend to the shareholders created a deficit in ALPC of \$56.1 million. ALPC ended fiscal 2012 with a deficit of \$60.3 million after incurring net losses of \$4.2 million that year. Total cumulative dividends of \$50.1 million and cumulative net surpluses of \$6.7 million since fiscal 2012 have increased the deficit in ALPC to \$104.2 million at the end of fiscal 2016.

Given that ALPC's negative equity position has been caused by the payment of dividends rather than by net losses, the Trust continues to record its investment in ALPC as a long term financial asset that is recorded on a modified

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

equity basis on the consolidated statement of financial position. The Trust's future share of ALPC's net income will reduce the negative equity balance and the Trust's future share of any additional dividends will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 30 years are expected to generate sufficient revenue and cash flow to fund on-going operations for the foreseeable future.

(h) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus/ (Deficit)
March 31, 2016						
ALPC - 50%	\$ 21,572	\$ 9,717	\$ 5,619	\$ 2,676	\$ 18,012	\$ 3,560
BPC - 50%	22,025	4,509	6,383	33	10,925	11,100
BEPC - 50%	18,051	10	4,575	2,504	7,089	10,962
WEPC - 42%	9,332	-	-	-	-	9,332
	\$ 70,980	\$ 14,236	\$ 16,577	\$ 5,213	\$ 36,026	\$ 34,954
March 31, 2015						
(Recast - Note 3)						
ALPC - 50%	\$ 19,420	\$ 9,709	\$ 5,878	\$ 3,880	\$ 19,467	\$ (47)
BPC - 50%	21,712	4,751	6,177	34	10,962	10,750
BEPC - 50%	17,669	10	4,794	2,504	7,308	10,361
WEPC - 42%	1,194	-	-	-	-	1,194
	\$ 59,995	\$ 14,470	\$ 16,849	\$ 6,418	\$ 37,737	\$ 22,258

(i) Other non-current assets - WEPC

Other non-current assets for WEPC consist of the following assets:

Promissory Note

WEPC has a non-interest bearing \$72 million Promissory Note Receivable from WELP and is due on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date occurred in 2015, thereby making the Promissory Note's repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of \$43 million (the Trust's portion was \$18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2016, the Trust's portion of the Promissory Note was \$23.6 million (fiscal 2015 - \$22.4).

Other Receivables

WEPC has an agreement with WELP that specifies if the aggregate amount of the design-build costs of the Waneta Expansion Project are less than \$635.1 million, WELP will pay to WEPC the lesser of a) the amount by which the design-build cost are less than \$635.1 million or b) \$20 million. At March 31, 2016, management estimated that the expected value of the design-build costs will be \$603.5 million and has therefore recorded a \$20 million receivable as other income (discounted at 2% to present value of \$19.2 million.) Interest will accrete until the receivable is recognized on April 1, 2018. As at March 31, 2016, the Trust's portion of this other income and receivable was \$8.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

(j) Non-current liabilities:

i. Long-term debt

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

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

The bonds are redeemable in whole or in part at any time before May 31, 2026, at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching-duration Government of Canada bond plus 0.30%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

ALPC has long-term debt that consists of Series "B" bonds with a coupon rate of 5.52% and is due April 5, 2041. The Series "B" bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

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

	2016	2015
ALPC bonds	\$ 175,000	\$ 175,000
BPC bonds	55,786	59,156
	230,786	234,156
Less: financing costs	(1,903)	(2,075)
Less: current portion of long-term debt	(5,294)	(3,370)
	\$ 223,589	\$ 228,711

(k) Contingencies

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

12. LONG-TERM DEBT

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

	2016	2015
Demand loan, interest rate 3.27% per annum, maturing November 2016	\$ 926	\$ 1,002
Deferred finance costs	(1)	(2)
	\$ 925	\$ 1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

13. DELIVERY OF BENEFITS

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

		2016	2015
Liabilities, beginning of year	\$	27,028	\$ 22,725
Funds authorized during the year		31,080	20,877
Funds recovered/rescinded		(1,187)	(899)
Funds paid during the year		(25,465)	(15,675)
Liabilities, end of year	\$	31,456	\$ 27,028

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

2017	\$	18,585
2018		7,149
2019		5,722
	\$	31,456

14. TANGIBLE CAPITAL ASSETS

The Trust's tangible capital assets are as follows:

	Cost	Accumulated Amortization	2016	2015
Land	\$ 816	\$ -	\$ 816	\$ 690
Building	4,809	1,804	3,005	2,815
Leasehold improvements	513	489	24	47
Office furniture and equipment	500	442	58	54
Hardware and software	1,593	1,072	521	509
Broadband hardware	2,360	702	1,658	1,183
Fibre optics	1,991	236	1,755	1,490
	\$ 12,582	\$ 4,745	\$ 7,837	\$ 6,788

Refer to Schedule A for supplementary financial information.

15. GRANT REVENUES

Columbia Basin Broadband Corporation, a wholly owned subsidiary of the Trust, and various Internet Service Providers have entered into a Contribution Agreement with the Government of Canada for the *Connecting Canadians Program*. The *Connecting Canadians Program* aims to extend and/or enhance broadband networks for rural and remote Canadian communities and provide access to high quality broadband services for households to participate in the digital economy.

16. OTHER REVENUES

The Trust received rental revenue of \$124,000 (fiscal 2015 - \$124,000) from three commercial properties located in Cranbrook, BC. The Trust also received a one-time payment of \$868,000 from Columbia Power Corporation to equalize the benefits of eliminating Teck Resources Ltd. residual interest in the Waneta Expansion Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

17. EXPENSES

In addition to the direct benefits provided to Basin communities, the Trust has also allocated administration services and costs to each major initiative area using an appropriate cost allocation methodology. In the case of CBBC, all administration costs are tracked separately and expensed directly to this initiative area.

The following table lists the community benefits expensed, funding benefits that were recovered or rescinded, and the allocation of the Trust's administration services and costs to each major initiative area for fiscal 2016.

CBT	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total Expenses
Broadband initiatives	\$ 42	\$ -	\$ -	\$ 42
Community initiatives	18,378	(684)	1,394	19,088
Economic initiatives	1,609	(262)	625	1,972
Investment initiatives	-	-	712	712
Other initiatives	444	(28)	1,470	1,886
Social initiatives	1,330	(2)	533	1,861
Water and Environment initiatives	5,139	(198)	1,001	5,942
Youth initiatives	733	(13)	512	1,232
	27,675	(1,187)	6,247	32,735
CBBC				
Broadband initiatives	3,405	-	-	3,405
Broadband administration	1,649	-	-	1,649
	5,054	-	-	5,054
	\$ 32,729	\$ (1,187)	\$ 6,247	\$ 37,789

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

	CBT	CBBC	Total
March 31, 2016			
Amortization	\$ 389	\$ 357	\$ 746
Board and committee expenses	132	3	135
Communications	172	4	176
Corporate travel and meetings	192	29	221
Delivery of Benefits initiatives	26,488	3,405	29,893
Information technology	193	130	323
Network costs	-	427	427
Office and general	667	9	676
Professional fees	260	200	460
Staff remuneration and development	4,242	490	4,732
	\$ 32,735	\$ 5,054	\$ 37,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Tabular amounts in thousands)

	CBT	CBBC	Total
March 31, 2015			
Amortization	\$ 427	\$ 217	\$ 644
Board and committee expenses	174	5	179
Communications	164	11	175
Corporate travel and meetings	239	17	256
Delivery of Benefits initiatives	19,818	160	19,978
Information technology	119	56	175
Network costs	-	509	509
Office and general	576	7	583
Professional fees	430	173	603
Staff remuneration and development	3,978	407	4,385
	\$ 25,925	\$ 1,562	\$ 27,487

18. COMMITMENTS

(a) The Trust Office

The Trust has entered into operating lease agreements for two office spaces with terms expiring August 31, 2017 and March 31, 2020. Annual lease commitments are as follows:

2017	\$ 90
2018	58
2019	36
2020	36
	\$ 220

19. RECOVERIES

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

	2016	2015
Information technology systems	\$ 150	\$ 150
Management/contract services	59	59
Rental expense	159	155
	\$ 368	\$ 364

20. RELATED PARTY TRANSACTIONS

The Trust is indirectly related through common ownership to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to be conducted at arm's length and are consequently recorded at their exchange amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

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

(a) Due from and sales to related parties:

	2016		2015	
	Due from related party	Sales to related party	Due from related party	Sales to related party
Columbia Power Corporation	\$ 93	\$ 666	\$ 139	\$ 662
Province of BC	1,540	110	1,902	62
BC Hydro	2,286	35,286	1,580	32,727
BEPC	434	713	86	740
Joseph Creek Village	-	-	-	53
	\$ 4,353	\$ 36,775	\$ 3,707	\$ 34,244

(b) Due to and purchases from related parties:

	2016		2015	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
Columbia Power Corporation	\$ 602	\$ 1,986	\$ 183	\$ 1,792
Province of BC	48	6,573	51	6,799
BC Hydro	55	804	-	563
BPC	84	713	86	740
Powerex	-	45	-	45
	\$ 789	\$ 10,121	\$ 320	\$ 9,939

21. PUBLIC SERVICE PENSION PLAN

The Trust and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions.

The most recent actuarial valuation as at March 31, 2014 indicated that the PSPP is fully funded and is sufficient to pay the current and future lifetime pensions of all members. Contributions to the PSPP by the Trust in fiscal 2016 were \$320,000 (fiscal 2015 - \$273,000), which represents .05% of the total plan contributions. No provision, other than the Trust's required employer pension contributions, has been made in the accounts of the Trust for this liability. The Trust expects to pay \$352,000 for employer contributions in fiscal 2017. The next valuation date for the PSPP is scheduled for March 31, 2017 with results expected in 2018.

22. RISK MANAGEMENT

(a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust extends credit within its commercial loans and investments. To mitigate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

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

	2016	2015
Accrued interest and other assets	\$ 2,142	\$ 1,056
Commercial loans	\$ 39,570	\$ 33,020
Commercial investment	\$ 2,375	\$ 2,375

(b) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. The Trust considers that it has sufficient liquidity to meet its financial obligations.

The maximum exposure to liquidity risk at March 31 was:

	2016	2015
Accounts payable and accrued liabilities	\$ 2,064	\$ 934
Long-term debt	\$ 925	\$ 1,000
Delivery of Benefits liabilities	\$ 31,456	\$ 27,028

(c) Market risk

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

i. Currency risk

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

ii. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. The Trust's short-term investments and commercial loans are subject to variable interest rates. Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by \$360,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by \$398,000.

iii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

As the Trust's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

	2016	2015
Market securities	\$ 51,685	\$ 52,588

23. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the Trust's annual budget approved by the Board of Directors in November 2014.

24. SUBSEQUENT EVENTS

On April 1, 2016, the full principal amount, plus accrued interest of a commercial loan in the Private Placements portfolio was repaid in the amount of \$3.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2016 and March 31, 2015

(Tabular amounts in thousands)

Schedule A: Tangible capital assets supplementary financial information

	Land	Building	Leasehold Improve- ments	Office Furniture and Equipment	Hardware and Software	Broadband Hardware	Fibre Optics	Total
March 31, 2016								
Cost								
Opening balance	\$ 690	\$ 4,457	\$ 513	\$ 474	\$ 1,498	\$ 1,608	\$ 1,646	\$ 10,886
Additions	193	352	-	26	196	760	345	1,872
Disposals	(67)	-	-	-	(101)	(8)	-	(176)
	816	4,809	513	500	1,593	2,360	1,991	12,582
Accumulated amortization								
Opening balance	-	(1,642)	(466)	(420)	(989)	(425)	(156)	(4,098)
Additions	-	(162)	(23)	(22)	(182)	(277)	(80)	(746)
Disposals	-	-	-	-	99	-	-	99
	-	(1,804)	(489)	(442)	(1,072)	(702)	(236)	(4,745)
	\$ 816	\$ 3,005	\$ 24	\$ 58	\$ 521	\$ 1,658	\$ 1,755	\$ 7,837

	Land	Building	Leasehold Improve- ments	Office Furniture and Equipment	Hardware and Software	Broadband Hardware	Fibre Optics	Total
March 31, 2015								
Cost								
Opening balance	\$ 690	\$ 4,445	\$ 735	\$ 569	\$ 1,420	\$ 606	\$ 1,280	\$ 9,745
Additions	-	12	-	29	262	1,002	366	1,671
Disposals	-	-	(222)	(124)	(184)	-	-	(530)
	690	4,457	513	474	1,498	1,608	1,646	10,886
Accumulated amortization								
Opening balance	-	(1,493)	(666)	(527)	(935)	(271)	(92)	(3,984)
Additions	-	(149)	(22)	(17)	(238)	(154)	(64)	(644)
Disposals	-	-	222	124	184	-	-	530
	-	(1,642)	(466)	(420)	(989)	(425)	(156)	(4,098)
	\$ 690	\$ 2,815	\$ 47	\$ 54	\$ 509	\$ 1,183	\$ 1,490	\$ 6,788

Appendix A: Subsidiaries and Operating Segments

Active Subsidiaries

Columbia Basin Broadband Corporation (CBBC) is a wholly owned subsidiary of the Trust formed in 2011. CBBC is working with Basin communities and rural areas to improve high-speed connectivity through a region-wide fibre optic cable network which will contribute to economic and social development in the Basin.

Financial Resource Summary Table

(\$thousands)	2014/15 Actual	2015/16 Budget	2015/16 Actual
Revenues	\$439	\$500	\$1,496
Expenses	1,407	2,300	\$5,053
Surplus/ (Deficit)	\$(968)	\$(1,800)	\$(3,558)

Holding Companies

For commercial and legal reasons, the Trust has eight subsidiaries that hold our interests in investments. Management of these subsidiaries is performed by Trust staff with no additional remuneration.

- CBT Commercial Finance Corp. holds Trust interests in business loans and investments.
- CBT Real Estate Investment Corp. holds Trust interests in real estate.
- CBT Property Corp. is a subsidiary of the Trust and holds interests in corporate real estate.
- CBT Energy Inc. (CBTE) is the main Trust subsidiary related to power projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Expansion joint venture with Columbia Power.
- CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with Columbia Power.
- CBT Waneta Expansion Power Corp. is a subsidiary of the Trust that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.

Appendix B: Additional Information

Organizational Overview

Learn more at cbt.org/about.

Corporate Governance

Learn more about our:

- Governance: cbt.org/governance
- Board of Directors: cbt.org/board
- Executive Committee: cbt.org/staff

Appendix C: Crown Corporations Mandate and Actions Summary

In the 2015/16 Mandate Letter from the minister responsible, the Trust received direction on strategic priorities for the 2015/16 fiscal year. These priorities and our resulting actions are summarized below:

Mandate Letter Direction	Columbia Basin Trust Action
<p>1. Continue a Basin-wide engagement process to fully understand local and regional priorities and determine how best the Trust can work collaboratively with communities to address these priorities in the coming years. This is an ongoing engagement anticipated to conclude in winter 2015.</p>	<ul style="list-style-type: none"> • The Trust completed the public engagement process in summer 2015 and renewed its Columbia Basin Management Plan in fall 2015, which identifies 13 strategic priorities for 2016 to 2020. • The plan also identifies four broad support methods the Trust will use to deliver on its mandate, including a new area of impact investing.
<p>2. Advance discussions with local government, First Nations and provincial partners (within the existing Board appointment process legislated in the Columbia Basin Trust Act) to develop an aligned Board appointment process that ensures the Trust Board has the requisite balance of skills to lead the organization. An effort will be made to arrive at an understanding by fall 2015.</p>	<ul style="list-style-type: none"> • The Trust, working with regional districts, First Nations and the Province, continues to implement the recommendations from the Trust/Local Government Committee 2014 report. • Two new provincial appointees were confirmed during the year following a consultative process with the minister responsible to ensure the appropriate balance of skills and experience on the Trust Board.