COLUMBIA BASIN TRUST

a legacy for the people

SHAPING OUR FUTURE

Together

2010/11 ANNUAL REPORT

Our theme, “Shaping Our Future Together,” reflects CBT’s role in helping to bring people, governments and communities together and in encouraging collaboration and partnerships. Our staff, advisory committees and partners are working together with communities to identify priorities in the Basin, while providing access to funding, information and expertise to strengthen our region.

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Dear Minister Bell:

In 2010/11, Columbia Basin Trust (CBT) collaborated with residents, local governments and communities around key issues in order to shape our collective future in the Columbia Basin (Basin).

Due to the continued strong performance of CBT's Investment Program, CBT was able to increase its financial commitment to residents over the previous fiscal year, disbursing a record $11.2 million in direct funding benefits and making a further $2.6 million in new commitments that had not been disbursed by year-end. In addition, $26.6 million in new funds was invested in the Waneta Expansion Project (WAX) during the year, and a further $5.7 million was committed to investments in Basin businesses.

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PERFORMANCE RESULTS

CBT continued to experience strong financial performance in 2010/11. Total revenues increased to $28.4 million, up from $26.1 million in 2009/10. The majority of this increase can be attributed to Power Projects revenues, as CBT's operational Power Projects experienced little or no unplanned downtime for maintenance or repairs.

Each of CBT's three categories of investment exceeded its annual performance benchmark. The Private Placements return of 8.32 per cent and the Power Projects return of 8.15 per cent were both higher than their 8 per cent targets. Market Securities generated an annual return of 10.10 per cent, well above the 6 per cent benchmark for this portfolio. All of CBT's investments are long-term in nature and are intended to create value over time.

CBT has a broad mandate to return social, economic and environmental benefits to the Basin, and is accountable to Basin residents for its performance in this regard. Given its accountability, CBT is assessing the extent to which it is making a positive difference through its Delivery of Benefits activities in Basin communities, and sought feedback from residents and its partners in this regard. This feedback helped CBT establish a baseline for its Delivery of Benefits performance.

CBT has also introduced three measures that will provide valuable insight into whether the organization's Corporate Operations are effectively supporting its Delivery of Benefits activities and Investment Program. Baselines for these measures were established and informed targets were set for future years.

HIGHLIGHTS

In October 2010, CBT and Columbia Power Corporation (Columbia Power) announced the formal signing of an agreement with Fortis Inc. (Fortis), which allowed WAX to move forward. Construction has commenced on this $900-million hydroelectric development located a short distance downstream from the existing Waneta Dam (owned by Teck Resources Ltd. [Teck] and BC Hydro), south of Trail. The project will bring benefits to local communities, including the creation of over 400 jobs during the four-and-a-half-year construction period, the provision of approximately $200 million in wages and benefits and the injection of over $178 million into the local economy through the purchase of goods and services. To appropriately balance the exposure to project risks with the size of the respective partners in the agreement, Fortis holds a 51 per cent share of the project, Columbia Power a 32.5 per cent share and CBT a 16.5 per cent share.

Another significant event for CBT in 2010/11 was the 2010 Columbia Basin Symposium. Hosted every three years, the Symposium seeks to engage residents active in their communities to discuss the future of the Basin, while

Garry Merkel, Chair, Board of Directors

Neil Muth, President and CEO

also exploring current issues. Nearly 300 people from communities throughout the Basin attended the three-day event in Revelstoke, participating in a variety of facilitated sessions covering economic development, alternative energy, community engagement and building resilient organizations. Attendees also engaged in a two-part workshop discussing the key drivers that will shape the region over the next 20 years and developing likely future scenarios. The event served as a catalyst for thinking about the actions that are needed today to put the people of the Basin in a position to shape our future.

Another highlight of the year was the establishment of the Columbia Basin Rural Development Institute (RDI), a partnership between CBT and Selkirk College (Selkirk). Housed at Selkirk, the RDI will promote and support informed planning and decision-making in the Basin through region-specific information and applied research.

All CBT activities are guided by the *Columbia Basin Management Plan* (CBMP). Part of the CBMP includes strategic priorities for CBT over a set period of time. In 2010/11, CBT established its strategic priorities for 2011 – 2015 in consultation with Basin residents. CBT developed and delivered a number of initiatives to communities that are consistent with those strategic priorities. CBT initiated two key partnerships to help communities develop strong affordable housing plans and to create affordable housing units for seniors and persons with disabilities. A partnership with the BC Non-profit Housing Association links communities and organizations to experienced affordable housing consultants. Secondly, in partnership with the Government of Canada and the Province of BC (Province), CBT committed $425,000 to the overall capital costs of 114 units under the Seniors' Rental Housing initiative. As a result, projects are being built in seven Basin communities.

CBT's Summer Works Program was expanded in 2010/11. Launched as a pilot program in 2009/10, the Summer Works Program provides Basin small businesses with wage subsidies to hire high school and post-secondary students in entry-level or career-related employment. Of businesses that took advantage of the program in 2009/10, 90 per cent said they plan on applying again, and 99 per cent said they would recommend the program to other businesses. In 2010/11, CBT increased funding, allowing an additional 30 students to be hired.

One of the CBMP strategic priorities speaks of CBT's desire to work with communities and youth to enhance youth opportunities and engagement. CBT sought extensive input from youth, community members, youth service providers, elected officials and CBT's advisory committees to prepare its *Youth Initiatives Strategic Plan* for 2011 – 2016. The plan identifies issues for CBT to address and potential roles CBT can play over the next five years.

Working collaboratively with CBT's Water Smart Program, 22 local governments in the Basin undertook comprehensive assessments of their local water systems and water consumption data. The assessments also looked at the current and future states of their water infrastructure. Using this information, customized community Water Smart Action Plans were drafted. All 22 communities set local water conservation targets, and will work collectively through CBT to reduce Basin-wide gross annual community water consumption by 20 per cent by 2015.

CBT will continue to focus efforts to support community projects aimed at reducing carbon emissions through programs and initiatives such as Carbon Neutral Kootenays. CBT also remains committed to reducing carbon emissions in its own corporate operations.

In 2010/11, CBT initiated two audit processes related to its Delivery of Benefits activities. The first looked at the internal controls and policies and procedures specific to good financial management practices. A consultant was hired, and recommendations brought forward included the development of guidelines and standards to be used across all areas of Delivery of Benefits. The second audit looked at the development of an external audit program. The process will involve compliance audits being performed for projects funded under Delivery of Benefits, specifically to verify that CBT funds are being used for their intended purposes and expenses incurred are in accordance with approved budgets. The first stage of this program is expected to be complete by the end of June 2011.

FUTURE OUTLOOK

Power Projects revenues are expected to decrease over the next three years due to the additional debt financing incurred to assist with construction costs for WAX. CBT has planned for this decrease and it is not expected to result in a material change to funds available for Delivery of Benefits. With the WAX agreement signed and construction proceeding, CBT is in a strong and stable financial position, allowing our focus to be on effectively delivering benefits to the region. In the last several years, funding available for Delivery of Benefits has increased significantly. CBT will continue to take steps to understand current needs and issues in communities, add new value to the efforts of Basin residents and have a unique impact on well-being in the Basin.

One focus area for CBT will be collaboration and partnerships between communities. Where interest in working together is developing, either between neighbouring communities or within a "community" of shared interests, CBT is prepared to facilitate and provide support for collaboration. CBT is also committed to enhancing community participation in project decision-making, so that communities are determining how best to advance their priorities.

CBT has committed to act as an information resource for Basin residents and local governments to increase their awareness and understanding of the Columbia River Treaty (CRT), and to help prepare the region to effectively engage in formal consultations with senior levels of government on the future of the CRT. Although there is no official "expiry date" of the CRT, there are provisions for renewal, termination or renegotiation after 60 years (2024), if 10 years' notice is given (2014). CBT is also committed to working with senior levels of government to provide advice on meaningful consultation processes with Basin residents and local governments.

ACKNOWLEDGEMENTS

CBT's achievements are a testament to the contributions of our dedicated partners, advisory committees, staff and Board members, who help us shape our future together and strengthen our communities. Their passion and dedication to this organization, and to the people of this region, have helped create a lasting legacy in the Basin.

PUBLIC REPORTING

The *2010/11 Columbia Basin Trust Annual Report* was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of Columbia Basin Trust for the 12 months ended March 31, 2011, in relation to the Service Plan published in March 2010.

The Board is responsible for ensuring internal controls are in place so that performance information is measured and reported accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of May 31, 2011, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets made since the *2010/11 – 2012/13 Service Plan* was released, and any significant limitations in the reliability of data, are identified in the report.

Garry Merkel
Chair, Board of Directors

Neil Muth
President & CEO

OUR MANDATE

CBT is mandated under the *Columbia Basin Trust Act (1995)* to manage its assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region. CBT is also mandated under the *Columbia Basin Management Plan* to include the people of the Basin in planning for the management of the assets and to work with others to coordinate activities related to the purpose of CBT.

OUR MISSION

CBT supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

OUR VISION

CBT will work toward a long-term vision for the future of the Basin, where:

- the Basin is a place where social, environmental and economic well-being is fostered;
- collaborative relationships and partnerships are established across the Basin; communities work together in a spirit of mutual support and respect for each other's differences; residents identify with a Basin culture and feel a sense of belonging to a Basin community; residents are involved in community decision-making;
- a healthy environment is the basis for social and economic activities; residents are committed to long-term and enduring stewardship of the Basin's natural resources; and
- the economy of the Basin is diverse, resilient and energized; communities are responsive to both the needs of the present and the future; community enhancement initiatives are widely supported and residents share responsibility for their implementation; practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

CBT will also be guided by a long-term vision of itself as a regional corporation, having:

- a successful portfolio of investments in the Basin that help stimulate the regional economy and provide a reliable stream of income for use in CBT's Delivery of Benefits activities;
- a proven track record of delivering social, economic and environmental benefits to the Basin and its residents;
- well-established and productive working relationships with others in the Basin whose activities relate to CBT's mandate; and
- consistent and widespread public support for CBT's activities, based on meaningful public input and CBT's responsiveness to the needs of the Basin and its people.

OUR CORE FUNCTIONS

Established by the *Columbia Basin Trust Act* in 1995, CBT has two core functions:

1. Invest capital and manage the assets of CBT; and
2. Spend the income earned from CBT's investments to deliver benefits to the Columbia Basin.

Upon creation, CBT received an endowment from the Province, which represented a portion of the financial benefits resulting from the CRT. CBT manages these investments through its Investment Program, which provides funding for its Delivery of Benefits activities. Through these activities, community programs and initiatives are supported, fostering quality of life and addressing critical issues in the Basin.

CBT operates out of four offices in the Basin: Castlegar, Nakusp, Cranbrook and Golden.

OUR CORE VALUES

Respect
CBT treats people with respect, welcoming varied perspectives and viewpoints and honouring the history of the Basin and the origins of the organization.

Accountability
CBT is responsible for all of its actions and the results of those actions.

Transparency
CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

Engagement
CBT recognizes that active involvement in communities is critical to its overall success.

Empowerment
CBT helps others make their own choices on issues that affect their futures, and see those choices result in positive outcomes.

Stewardship
CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

INVESTING IN THE BASIN

The purpose of CBT's Investment Program is to prudently invest the endowment received from the Province, enabling delivery of long-term benefits to the Basin. CBT's *Statement of Investment Policies and Procedures* (SIPP) provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. These financial returns are then available to fund CBT's current and future Delivery of Benefits obligations and to cover corporate operating expenses.

The SIPP details three general categories of investments that CBT will pursue:

1. **Power Projects:** Power projects located in the Basin;
2. **Private Placements:** Direct investments and loans to Basin-based commercial businesses; and
3. **Market Securities:** A diversified investment portfolio of publicly traded financial instruments, including short-term deposits, bonds and equities.

SHAPING OUR FUTURE TOGETHER BY INVESTING IN BASIN-BASED BUSINESSES

CBT's *Statement of Investment Policies and Procedures* provides a framework for the Investment Program, while at the same time allowing for flexible decision-making. This is an advantage to CBT when quality investment opportunities are presented that may not otherwise meet the more structured criteria of conventional lenders.

Two such investments were added to CBT's portfolio in 2010/11. ATCO Wood Products (ATCO) and Cowan Office Supplies (Cowan's) are both local, family-owned businesses that approached CBT when conventional lenders were unable to provide them the financing solutions required for their business needs.

For ATCO, CBT provided financing to assist with the purchase of a private rail line and related equipment. The acquisition secured an important mode of transportation to the company's primary customers in the U.S.

For Cowan's, CBT provided financing to assist with a transition in the ownership group, as well as a reorganization of finances. The company's shareholders now have a common vision for success and a management team capable of realizing this vision.

www.cbt.org/investments

A train as part of the ATCO Wood Products rail line.

POWER PROJECTS

The most significant portion of the Province's endowment to CBT was $276 million for investment in regional hydroelectric projects. The Province invested an equal amount in Columbia Power, one of CBT's partners in power project development.

Brilliant Dam

In 1996, CBT and Columbia Power purchased Brilliant Dam, located eight kilometres from Castlegar on the Kootenay River. The facility was purchased from Teck for $130 million, and the partners invested a further $100 million to extend the life of the facility and increase generating capacity. Brilliant Dam generates enough power to supply 100,000 homes. The majority of the energy is sold to Fortis BC under the terms of a 60-year contract.

Arrow Lakes Generating Station

In 2002, construction was completed on Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from existing Hugh Keenleyside Dam on the Arrow Lakes reservoir near Castlegar. The $300-million project makes use of water that would otherwise be spilled at Hugh Keenleyside Dam. Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All the power is sold to BC Hydro under the terms of a 12-year agreement.

Brilliant Expansion

In 2007, construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from Brilliant Dam near Castlegar. The $245-million project makes use of water that would otherwise be spilled at Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 95 per cent of the electricity is sold to BC Hydro and the remaining 5 per cent is sold on the open power market.

Waneta Expansion

CBT and Columbia Power entered into a new partnership with Fortis to develop the WAX project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to take 4.5 years to complete. All power from WAX will be sold to BC Hydro, and an amount of surplus capacity will be sold to Fortis BC.

PRIVATE PLACEMENTS

Private Placements include all investments made in Basin-based commercial businesses. CBT may invest by way of direct ownership (equity) or business lending (loans). Private Placements are generally split into two categories:

1. Business Loans: CBT actively invests in Basin-based businesses by way of loans that are made in accordance with accepted market standards and that generate financial returns consistent with the levels of risk assumed; and
2. Real Estate: CBT has an ownership interest in seniors' housing located throughout the Basin. Collectively, CBT has invested in eight properties containing 803 living suites that offer a range of support services depending on the needs of the residents.

CBT Resources

Programs
Initiatives
Financial Information
Staff
Partnerships

Investments

Market Securities
Power Projects
Private Placements

Community

Arts, Culture & Heritage Program
Community Development Program
Community Initiatives and Affected Areas Programs
Endowments to Community Foundations
Scholarships
Sponsorship Program
Rural Development Institute

Social

Affordable Housing
Literacy
Non-profit Partnerships

CBT believes that managing investment risks is equally important to generating returns, and therefore observes the principles of commercial market due diligence when investigating investment opportunities.

MARKET SECURITIES

This category includes a range of investments such as short-term deposits, bonds and equities. The portfolio is managed by the British Columbia Investment Management Corporation on behalf of CBT.

www.cbt.org/investments

DELIVERING BENEFITS TO THE BASIN

Using the income earned from CBT's Investment Program, CBT develops, implements and manages programs and initiatives that respond to community needs, working closely with Basin residents throughout the process. CBT assists communities to shape their futures by:

- providing resources and funding;
- focusing on local priorities and issues;
- bringing people together around key issues;
- providing useful, credible, accessible information; and
- encouraging collaboration and partnerships.

CBT has a broad mandate to return social, economic and environmental benefits to the Basin. Due to the numerous social, economic and environmental issues in the Basin, the challenge for CBT is in determining how to best return benefits to the region. Partnering with existing groups that have similar goals and complementary strengths enables CBT to accomplish its mission in the most meaningful and effective manner. These partners help CBT advance the social, economic and environmental well-being of Basin communities.

CBT has three advisory committees in its core mandated areas of social, economic and environment, plus two program advisory groups that provide advice on youth and water initiatives. Each of these volunteer committees plays an important role in providing community perspectives, sectoral expertise and strategic advice on CBT's activities and priorities. This advice may be particular to the committee's core or program area, or more general in regards to CBT's overall direction. The committee's advice is sought according to the vision and principles outlined in the CBMP.

www.cbt.org/strategicpriorities

Economic

Basin Business Advisors Program
Training Fee Support Program
Summer Works Program

Environment

Climate Change
Environmental Education
Environmental Initiatives Program
Land Conservation Program

Water

Water Governance
Water Quality
Water Quantity
Water Stewardship

Youth

Youth Development
Youth Engagement
Youth Grants and Programming

Above: Members of CBT's Youth Advisory Committee. From L to R: Zeb Hansell, Laura Archer, Kyler Perepolkin, Zachary McClean, Miranda de Groot, Matt Fontes.
Inset: Quotes from the 485 youth ages 13 to 18 surveyed for their input for the Castlegar Youth Engagement Report, displayed at a Castlegar open house to review the results.

SHAPING OUR FUTURE TOGETHER BY ENGAGING COMMUNITIES AND THEIR YOUTH

As CBT enters the next strategic planning cycle of its Youth Initiatives, it acknowledges that effectively engaging youth requires working with them in the context of their communities. This involves engaging communities and their youth in more strategic ways and providing them with necessary resources and financial support.

In 2010/11, CBT worked with the City of Castlegar to develop a comprehensive strategy intended to improve the lives of local youth. BC Healthy Communities, which has supported other communities in the province with similar projects, was contracted to assist in this process.

Through this partnership and community consultation, the strategy developed is expected to provide concrete data that will assist the City in developing future policy and programming priorities, help define the role of the City in supporting meaningful youth participation and identify assets and gaps in current services and opportunities for youth under 18.

www.cbt.org/youth

SHAPING OUR FUTURE TOGETHER BY CONTRIBUTING TO COMMUNITY SPACES AND PLACES

Research has shown that a key component of community building is related to the opportunities community members have for social interaction. With this fact in mind, CBT has supported a number of projects and initiatives throughout the Basin that enhance and increase opportunities for interaction.

Through CBT's Community Development Program, nearly $1.5 million in funds were committed to such projects in 2010/11, encouraging community building throughout the region. Two such projects are taking place in Elkford and Golden.

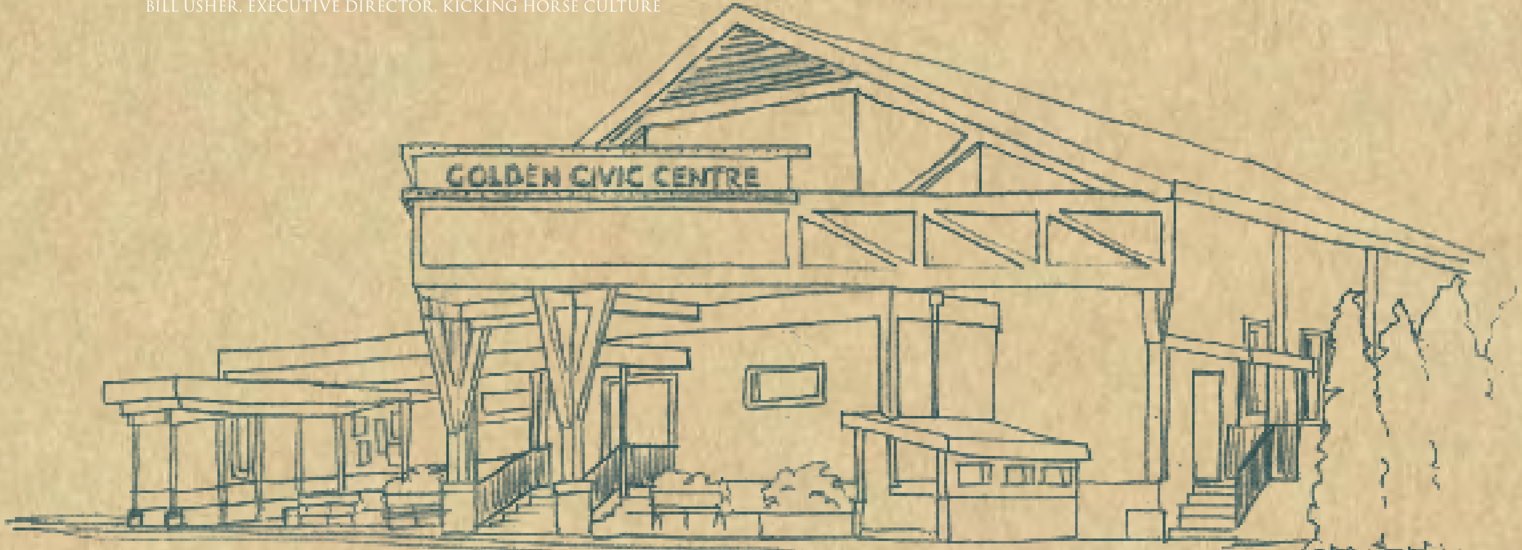
The District of Elkford has limited facilities to host community and social events. In order to address this need, Elkford secured funding—including a $300,000 grant from CBT—toward a new community centre that will offer improved amenities for the entire community. The new building, located on the previous site of Elkford Elementary School, will also eventually house a museum that will highlight the rich and diverse history of Elkford.

The 62-year-old Golden Civic Centre was built by volunteers after World War II, with original wood trusses from the Columbia River Lumber Company circa 1911. Scheduled for completion in 2011/12, 100 years later, the hall will be fit for a new life cycle as Golden's only dedicated performing arts and culture centre.

www.cbt.org/cdp

"Our community's commitment to and engagement in arts, culture and heritage activities fuels a deep sense of pride and makes Golden a better place in which to live and visit. Rebirthing the Civic Centre is a community dream come true."

BILL USHER, EXECUTIVE DIRECTOR, KICKING HORSE CULTURE



An artist's sketch of the new Golden Civic Centre.

CORPORATE GOVERNANCE

Governance is the set of principles and processes that direct and control CBT, including:

- the relationship between CBT's Board of Directors, CBT management, Basin residents and CBT's shareholder (the Province);
- the division of responsibilities between the Board of Directors, management, residents and the shareholder; and
- the execution of responsibilities related to CBT.

In order to carry out its mission on behalf of Basin residents and remain an accountable organization, CBT establishes and follows sound governance principles and processes.

SENIOR MANAGEMENT

Neil Muth, *President and Chief Executive Officer*
Johnny Strilaeff, *Vice-President, Investments*
Sabrina Curtis, *Director, Planning and Development*
Kindy Gosal, *Director, Water and Environment*
Christine Lloyd, *Director, Finance and Operations*
Wayne Lundeberg, *Director, Youth Initiatives*
Gary Ockenden, *Director, Community Engagement*
Delphi Hoodicoff, *Director, Communications (on leave)*
Andrea Wilkey, *Acting Director, Communications*

BOARD COMMITTEES

CBT's Board committees address issues on behalf of the Board of Directors and report back to the full Board on a regular basis. Committees assess their performances against their Terms of Reference annually. The Chair of the Board of Directors sits on all committees of the Board as an ex officio member with full voting rights.

Executive Committee

Acts on behalf of the Board of Directors between Board meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained and addresses any other matters referred to it by the Board.
Membership: Garry Merkel (Chair), Greg Deck (Vice-Chair), Denise Birdstone, Jim Miller, Ron Oszust

Audit Committee

Assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of CBT's financial information, and monitors systems of internal controls and oversees the internal and external audit processes.
Membership: Mike Berg (Chair), Ron Miles, Richard (Kim) Deane

Investment Committee

Oversees the management of CBT investments and develops and reviews investment policies and procedures.
Membership: Jim Miller (Chair), Greg Deck, Bill Trewhella, Cindy Gallinger, Bob Smith

Delivery of Benefits Committee

Oversees the governance and management of Delivery of Benefits programs, initiatives and activities.
Membership: Richard (Kim) Deane (Chair), Denise Birdstone, Cindy Gallinger, Paul Peterson, Bill Trewhella

Water Initiatives Committee

Develops and oversees strategies to address water initiatives in the Basin.
Membership: Mike Berg, Greg Deck, Ron Miles, Ron Oszust, Bob Smith

DIRECTION FROM SHAREHOLDER'S LETTER OF 2010/11, SIGNED FEBRUARY 2010			
Comply with requirements to make public sector carbon neutral by 2010.	Develop measures for evaluating overall Delivery of Benefits activities.	CBT Board members nominated by regional districts and the Ktunaxa Nation Council report to their respective nominating bodies.	Strive to work in a coordinated manner with the Province with respect to engaging Basin residents on Columbia River Treaty issues.
CBT ALIGNMENT			
Corporate carbon neutral plan was implemented in 2010/11. www.cbt.org/cnar	Key measures developed with baseline for targets established in 2010/11. Measures will also be developed for CBT's major initiatives.	CBT regularly communicates with regional districts and the Ktunaxa Nation Council, and annually offers to review the year's activities with these organizations.	Ongoing communication with the Province.

BOARD OF DIRECTORS

A Board of 12 directors governs CBT. The five regional districts of the Basin and Ktunaxa Nation Council each nominate one director, and the Province nominates the remaining six. The Lieutenant-Governor-in-Council makes all of the final appointments to the Board of Directors. All directors must reside in the Basin. The Board of Directors is committed to effective and responsible governance. In addition to upholding CBT's core values, the Board acts in accordance with four general principles:

1. **Preparation:** Directors will ensure they are fully prepared to address the business of CBT;
2. **Transparency:** To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Basin residents;
3. **Participation and Commitment:** Directors will ensure they participate fully as directors and are capable of meeting their commitments to CBT; and
4. **Service:** The Board of Directors will act in the best interests of CBT, which serves the Basin region as a whole.

CBT's disclosure of its governance practices are generally consistent with the Board Resourcing and Development Office's Board governance disclosure requirements as listed in the *Best Practice Guidelines – Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations.*

www.cbt.org/governance
www.fin.gov.bc.ca/brdo/governance/corporateguidelines.pdf

BOARDS OF CBT'S SUBSIDIARIES

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors for the following subsidiary boards consist of CBT senior management: Neil Muth, President and CEO, and Johnny Strilaeff, Vice-President, Investments.

- **CBT Commercial Finance Corp.** holds CBT interests in Business Loans.
- **CBT Real Estate Investment Corp.** holds CBT interests in Real Estate.
- **CBT Venture Capital Corp.** is a non-operating holding company, as CBT has no active venture capital investments at this time.
- **CBT Energy Inc. (CBTE)** is the main CBT subsidiary related to Power Projects.
- **CBT Arrow Lakes Power Development Corp.** is a subsidiary of CBTE and holds its 50 per cent interest in the Arrow Lakes Power Corporation.
- **CBT Brilliant Expansion Power Corp.** is a subsidiary of CBTE that holds its 50 per cent interest in the Brilliant Expansion Power Corporation.
- **CBT Power Corp.** is a subsidiary of CBTE that holds its 50 per cent interest in the Brilliant Power Corporation. CBT Power Corp. also holds a 50 per cent interest in the Power Planning Joint Venture.
- **CBT Waneta Expansion Power Corp.** is a subsidiary of CBT incorporated in September 2010 to hold the 16.5 per cent CBT interest in WAX.

THE PROVINCE OF BC AND COLUMBIA BASIN TRUST

The *Columbia Basin Trust Act* established the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Jobs, Tourism and Innovation is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 *Financial Agreement* and the *Columbia Basin Trust Act*.

Photo back row, from L to R: Greg Deck, Garry Merkel, Denise Birdstone, Ron Miles, Bob Smith.
Photo front row, from L to R: Richard (Kim) Deane, Mike Berg, Paul Peterson, Cindy Gallinger, Bill Trewhella, Ron Oszust. **Missing from the photo: Jim Miller.*

SHAPING OUR FUTURE TOGETHER BY ENCOURAGING COLLABORATION AND CULTIVATING ENTREPRENEURS

Since 2000, CBT has been strengthening small businesses in the Basin through the Basin Business Advisors (BBA) program.

BBA provides free, one-to-one business counselling on a range of business issues, including marketing, sales, financial management, human resources management, succession planning, business expansion, inventory control and exporting.

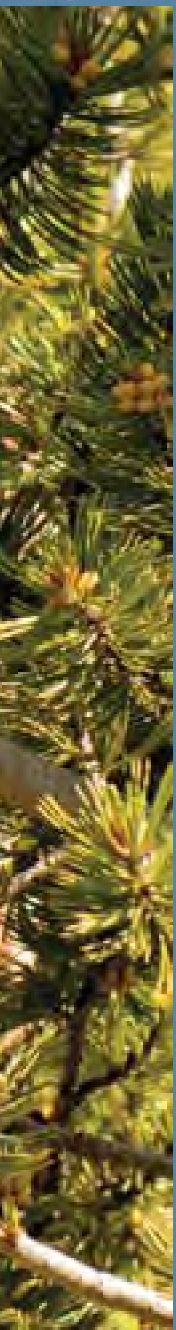
In 2010/11, CBT allocated $245,000 toward the BBA program, and has provided more than $2.9 million since the program began in 2000.

www.cbt.org/economic

"The assistance from BBA was timely, top-quality and strategic, allowing us to be able to afford a good-quality business plan. I believe BBA is a top-notch means of fostering a sustainable business culture in the Basin."

MICHAEL E. KEEFER, PRESIDENT, KEEFER ECOLOGICAL SERVICES LTD. AND TIPI MOUNTAIN NATIVE PLANTS LTD., CRANBROOK

Above: Ali Kennedy collects seeds on behalf of Keefer Ecological Services Ltd.



SHAPING OUR FUTURE TOGETHER BY FOCUSING ON THE ENVIRONMENT

The Columbia Basin is home to an abundance of natural resources, critical habitats and diverse species. CBT is engaging residents and communities in the long-term stewardship of our natural resources, and supporting them to take action to meet environmental challenges.

CBT's Environmental Initiatives Program (EIP) provides support to community-initiated and-supported environmental projects that aim to reduce the impacts humans have on local and regional ecosystems.

With a 40 per cent boost in EIP funding this year, CBT was able to support 51 projects with nearly $660,000 in funding. Projects included: a winter creel survey undertaken by the Tobacco Plains Indian Band; a study of the habitat of the northern leopard frog, a red-listed species in the Basin; and a program for school-aged children on the Kokanee salmon life cycle and its importance to local ecology.

Over the past nine years, CBT has provided just over $4 million in funding for environmental conservation, restoration, stewardship and education projects across the Basin.

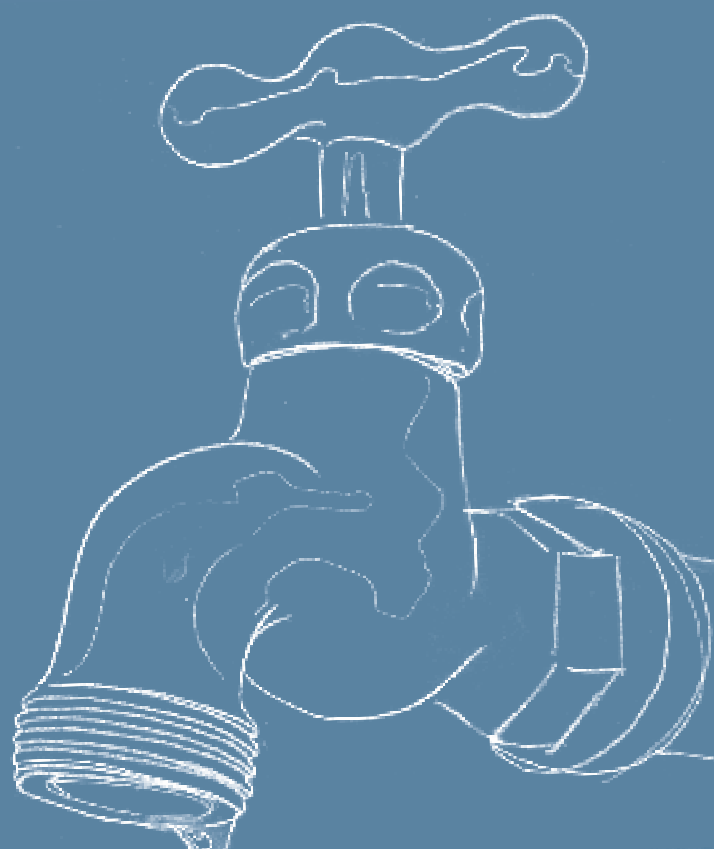
www.cbt.org/environment

SHAPING OUR FUTURE TOGETHER BY BUILDING BASIN RESIDENTS' UNDERSTANDING AND AWARENESS OF WATER ISSUES

CBT is currently working with 22 local governments to address water conservation in the Basin with the Columbia Basin Water Smart Initiative. The goal of the program is to reduce community water use across the Basin by 20 per cent by 2015.

A Water Smart Team will provide one-on-one technical support to help each community prepare, develop and monitor a Water Smart Action Plan, and CBT will provide up to $10,000 per community in matching funding to support the implementation of the plans.

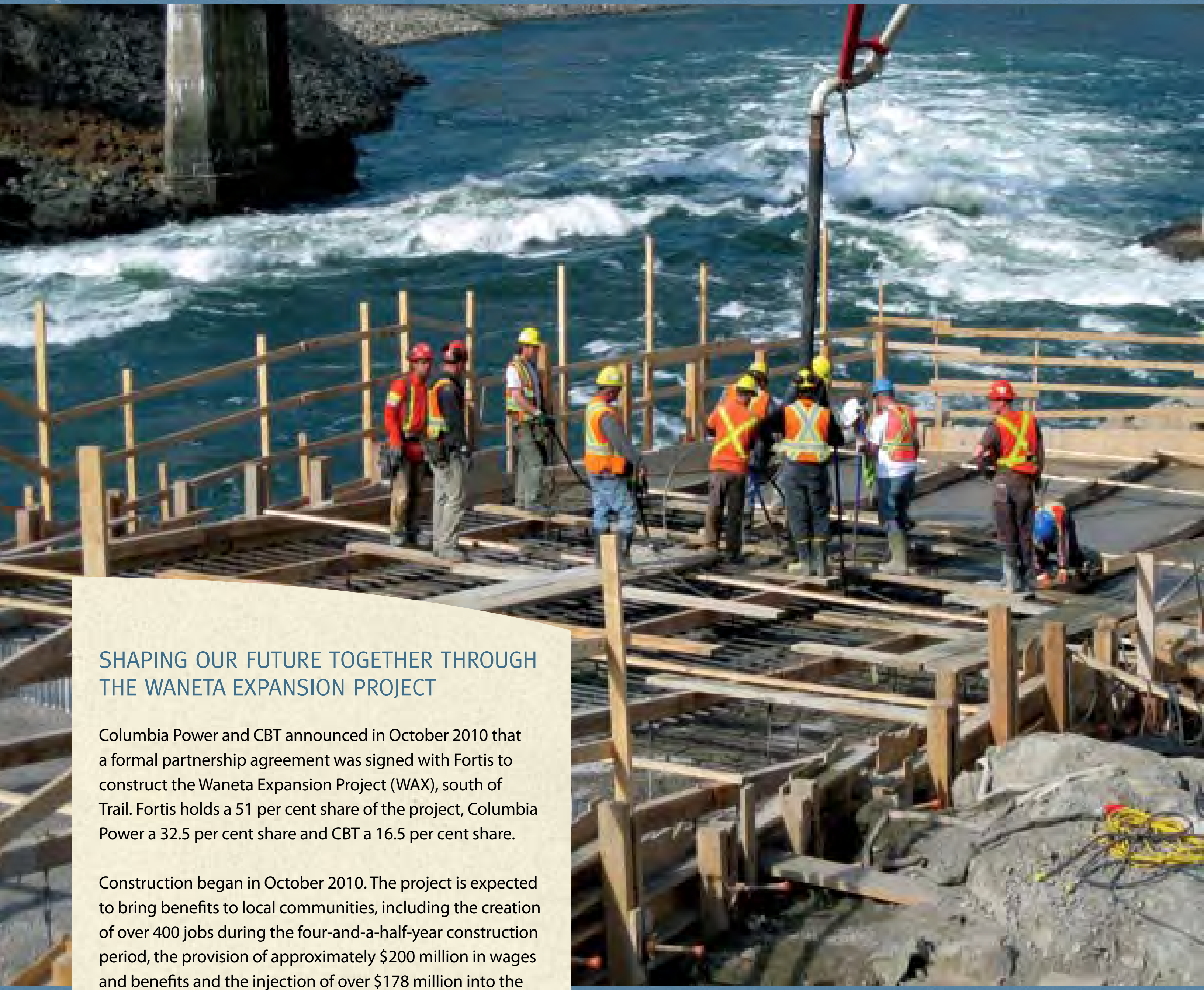
www.cbt.org/water



"Cranbrook is excited to partner with CBT on its Water Smart Initiative. It is an important program not only for water conservation, but for the long-term sustainability of Cranbrook and the Basin."

SCOTT MANJAK, MAYOR OF CRANBROOK.

Above: Northern leopard frog.



SHAPING OUR FUTURE TOGETHER THROUGH THE WANETA EXPANSION PROJECT

Columbia Power and CBT announced in October 2010 that a formal partnership agreement was signed with Fortis to construct the Waneta Expansion Project (WAX), south of Trail. Fortis holds a 51 per cent share of the project, Columbia Power a 32.5 per cent share and CBT a 16.5 per cent share.

Construction began in October 2010. The project is expected to bring benefits to local communities, including the creation of over 400 jobs during the four-and-a-half-year construction period, the provision of approximately $200 million in wages and benefits and the injection of over $178 million into the local economy through the purchase of goods and services.

WAX is the third project undertaken by Columbia Power and CBT. Their previous projects include the construction of Arrow Lakes Generating Station and Brilliant Expansion, both near Castlegar. They also jointly own Brilliant Dam, which was purchased in 1996.

www.cbt.org/investments

The project is expected to bring benefits to local communities, including the creation of over 400 jobs during the four-and-a-half-year construction period, the provision of approximately $200 million in wages and benefits and the injection of over $178 million into the local economy.

Above: Construction continues on the Waneta Expansion Project south of Trail.

INVESTMENTS

GOAL

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

STRATEGIES

1. **Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.**
2. **Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.**
3. **Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.**
4. **Remain fully engaged with the management of Columbia Power during the pre-development and operating phases of our jointly held Power Projects.**

HIGHLIGHTS

The most significant event over the past fiscal year was the commencement of construction of WAX, a $900-million hydroelectric development a short distance downstream from existing Waneta Dam (owned by Teck and BC Hydro), located south of Trail.

WAX is being developed by a newly formed limited partnership between CBT, Columbia Power and Fortis. This new partnership represents growth in CBT's relationship with Fortis, as Fortis currently operates and maintains CBT's existing Power Projects, and also purchases all the energy from Brilliant Dam. To appropriately balance the exposure to project risks with the size of the respective partners, an agreement was reached to develop the partnership with Fortis holding a 51 per cent interest, Columbia Power 32.5 per cent and CBT 16.5 per cent.

In order for CBT and Columbia Power to finance their respective commitments to WAX, a decision was made to refinance (and increase) the existing debt for Arrow Lakes Generating Station. The partners successfully closed a $350-million bond placement in April 2011, with the net proceeds now available for construction costs over the next four years.

CBT's *Statement of Investment Policies and Procedures* (SIPP) provides the framework for our long-term investment strategy. The strategy provides structure for the investment process, while also allowing for the flexibility to evaluate opportunities that require solutions not typically offered by other regional investors. This creates a competitive advantage for CBT, and in the past year resulted in new investments in the Private Placements portfolio. ATCO Wood Products and Cowan Office Supplies, for example, are both family-owned businesses that required a level of customization to meet their financial needs. Through in-depth analysis, CBT was able to offer solutions that balanced the borrowers' requirements with CBT's tolerance for risk.

Investment staff continue to focus on building relationships with the financial community throughout the Basin. These relationships are critical to the long-term success of the Private Placements portfolio, as most of CBT's investment opportunities come as a result of active engagement in communities. CBT has also continued to build on its relationships with Columbia Power and Fortis, and remains fully engaged during the construction stage of WAX.

Interest rates remain low when compared to historical averages. While this negatively impacts returns from CBT's business loans, it is a significant benefit to those investments for which CBT must borrow to meet funding requirements (or elects to do so in order to enhance returns). This was clearly the case when CBT and Columbia Power closed the $350-million

The annual return on Power Projects of 8.15 per cent exceeded the long-term target of 8 per cent, and was a measurable improvement over the 7.69 per cent generated in the previous fiscal year.

bond placement for WAX. Every 1 per cent increase in interest rates over the 30-year life of the bonds would have increased the cost to CBT and Columbia Power by $40 million.

MEASURES

Each of CBT's three categories of investment has a distinct risk and return profile, and CBT has therefore adopted three different performance measures to reflect these differences. These measures have been embedded in CBT's SIPP since July 2007, and represent ongoing targeted returns for each category of investment.

1. **Power Projects:** 8 per cent calculated as a Cash Based Return on Investment;
2. **Private Placements:** 8 per cent calculated as a Cash Based Return on Investment; and
3. **Market Securities:** 6 per cent calculated as a Return on Investment.

CBT chose a Cash Based Return on Investment methodology for calculating financial returns from Power Projects and Private Placements to clearly link returns from these investments to cash that would be available for Delivery of Benefits activities and corporate operating purposes. The Return on Investment methodology applied to Market Securities includes cash returns, as well as increases or decreases in the value of the market securities themselves.

In the case of Power Projects, there are a number of agreements between CBT, the Province and Columbia Power that make it difficult to reconcile performance with that observed in the private market. A similar issue arises with Private Placements, for which the limiting factor is CBT's restriction to invest solely in commercial opportunities in the Basin. Despite these challenges, CBT arrived at an 8 per cent performance target for both Power Projects and Private Placements by evaluating historical performance and balancing those returns against those forecast over the next five years.

The Market Securities category does allow for easier market comparison, as there are a number of public investment portfolios of comparable risk. CBT established a 6 per cent performance target based on a review of similarly constructed portfolios, combined with an assessment of historical returns observed in the general marketplace. Information in support of this objective was provided by the British Columbia Investment Management Corporation.

RESULTS

All values used in the calculation of investment returns for Power Projects and Private Placements are obtained from CBT's 2010/11 audited financial statements. Returns were calculated by accounting staff and reviewed by investment staff. Returns for Market Securities were calculated in accordance with Global Investment Performance Standards by the British Columbia Investment Management Corporation.

Power Projects

The annual return on Power Projects of 8.15 per cent exceeded the long-term target of 8 per cent, and was a measurable improvement over the 7.69 per cent generated in the previous fiscal year. Total revenue from Power Projects increased to $23 million, and each of the facilities performed as expected. The majority of energy generated from the plants is sold under long-term sales contracts, while operating expenses are forecast to be relatively stable now that each of the facilities is fully commissioned. Over the next three years, CBT expects a modest reduction in returns given the increased interest expenses associated with the financing of WAX construction costs. Once WAX comes into commercial operation, returns are expected to increase significantly.

Above: Waneta Expansion Project.

Arrow Lakes Generating Station

The Arrow Lakes revenue contribution of $7.6 million was 7 per cent higher than the previous fiscal year due to an escalation in energy prices under the sales agreement and improved availability compared to the previous fiscal year.

All power generated at Arrow Lakes Generating Station is sold to BC Hydro under the terms of a 12-year contract that matures in 2015. In order to secure the financing required for WAX, BC Hydro agreed to a 30-year extension of the agreement, scheduled to commence January 1, 2016.

Brilliant Dam

The Brilliant facility contributed $5.8 million in revenue to CBT, an amount effectively unchanged from the previous fiscal year. An increase in power sales revenue and lower interest expenses were largely offset by higher water rentals and operational costs. Brilliant Dam is the oldest of CBT's three Power Projects, and as a result requires a higher level of ongoing capital investment. Capital expenditures were $3.4 million in the past fiscal year, and are expected to total $6.8 million over the next three years.

Brilliant Expansion

Brilliant Expansion contributed $10.0 million in revenue to CBT, a 17.5 per cent increase over the previous fiscal year. Higher plant utilization and a full year of revenue from two long-term sales contracts contributed to the improvement. The $10.0 million in revenue includes approximately $2.2 million received under the federal EcoEnergy Program.

Private Placements

The return on Private Placements of 8.32 per cent was relatively unchanged from the 8.29 per cent realized in the previous fiscal year. This category of investment includes CBT's investment in real estate projects, as well as our lending to Basin-based businesses.

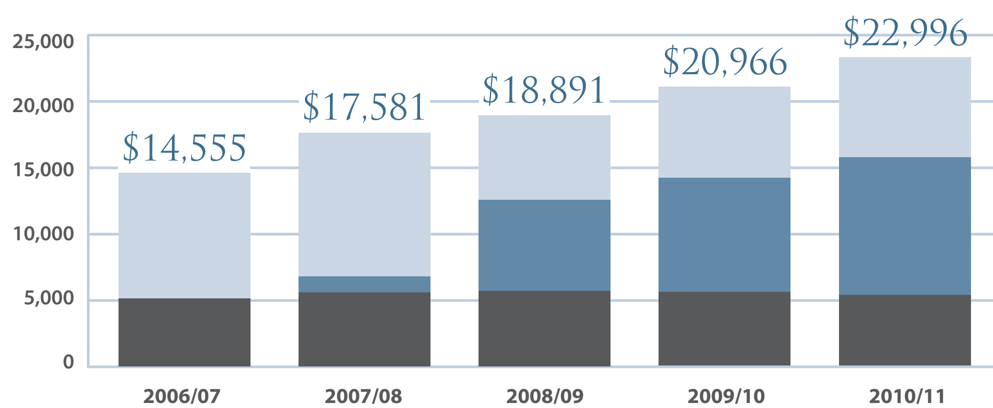
Business Loans

The return on Business Loans fell slightly to 7.46 per cent from 7.53 per cent in the previous fiscal year. Interest rates remain low on a historical basis, although there has been recent upward pressure and it appears there may be moderate increases in the coming fiscal year.

Power Project Revenue Over Five Years

(in thousands)

Total revenue from Power Projects increased to $23 million, and each of the facilities performed as expected.



Above: Arrow Lakes Generating Station.

Business Loan Revenue Over Five Years

Year	Revenue
2006/07	$878,000
2007/08	$1,509,000
2008/09	$1,049,000
2009/10	$1,307,000
2010/11	$1,197,000

37 investment opportunities were reviewed over the past fiscal year and CBT approved $5.7 million in new investment.

Over the past fiscal year, some 37 investment opportunities were reviewed and CBT approved $5.7 million in new investment.

The full benefit of these new investments will not be realized until the next fiscal year, given the majority of the $5.7 million was not advanced until after the fiscal year-end of March 31, 2011.

Real Estate

The return on Real Estate Investments was slightly lower at 9.33 per cent from 9.42 per cent in the previous fiscal year. CBT's portfolio of seniors' facilities remains a significant contributor to the success of the Investment Program, and now includes 803 living suites in eight different Basin communities.

Market Securities

Global capital markets continued to experience positive returns, notwithstanding the risk of a double dip recession, concerns over the debt of certain European nations and the progressive termination of stimulus funding in most developed nations. CBT's Market Securities portfolio has benefited from these positive results and realized a return of 10.10 per cent for the past fiscal year.

It is difficult to predict short-term performance and it is important to note that CBT's investment in Market Securities is long-term in nature and intended to create value over time. CBT's investment in Market Securities is managed such that returns (positive or negative) will not have a near-term impact on forecasted Delivery of Benefits expenditures.

Return on Investment (as a %)

POWER PROJECTS

	2008/09	2009/10	2010/11
1 Year	6.90%	7.69%	8.15%
3 Year	7.67	7.07	7.58
5 Year	6.41	6.73	7.77
10 Year	7.26	7.10	6.89
Inception	7.38%	7.40%	7.46%

PRIVATE PLACEMENTS

	2008/09	2009/10	2010/11
1 Year	8.34%	8.29%	8.32%
3 Year	10.05	9.77	8.31
5 Year	6.36	8.88	9.35
10 Year	0.56	1.08	2.91
Inception	1.03%	1.62%	2.12%

MARKET SECURITIES

	2008/09	2009/10	2010/11
1 Year	-	20.80%	10.10%
3 Year	-	-	-
5 Year	-	-	-
10 Year	-	-	-
Inception	(15.80%)	1.10%	4.30%

DELIVERY OF BENEFITS

GOAL

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin, its residents and its communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

STRATEGIES

1. **Implement programs, initiatives and activities to address the priorities identified in the social, economic and environmental strategic plans.**
2. **Improve Basin residents' understanding of and involvement in water issues.**
3. **Support youth and communities to ensure that youth are actively engaged and full participating members of their communities.**
4. **Strive to work in a coordinated manner with the Province of BC with respect to engaging Basin residents on Columbia River Treaty issues.**
5. **Proactively identify and pursue opportunities to fundamentally strengthen the social, economic and environmental well-being of the Basin.**
6. **Have vibrant advisory committees in place.**

HIGHLIGHTS

In 2010/11, CBT disbursed $11.2 million in direct funding benefits within the Basin through a variety of projects, programs and initiatives.

A number of initiatives were undertaken over the course of the year to help fulfill CBT's broad mandate and advance its Delivery of Benefits strategies:

- Hosted the 2010 Columbia Basin Symposium, engaging nearly 300 residents in thinking about the actions that are needed today to deal with tomorrow's challenges affecting the well-being of the Basin;
- Established the Columbia Basin Rural Development Institute, a resource to promote and support informed planning and decision-making through region-specific information and applied research;
- Initiated two key social sector partnerships: one to help communities develop strong affordable housing plans and strategies by linking them with expertise; and one to contribute to creating 114 affordable housing units for seniors and persons with disabilities in seven communities;
- Continued and increased funding for the Summer Works Program, offering wage subsidies to Basin small businesses to employ high school and post-secondary students in entry-level or career-related employment;
- Completed extensive consultation in the region as a part of renewing the strategic directions for Youth Initiatives; looking to work with communities and youth to enhance youth opportunities and engagement; and
- Continued collaborative efforts with 22 communities participating in the Water Smart Program, building action plans toward reducing gross overall community water consumption in the Basin by 20 per cent by 2015.

Part of CBT's capacity to deliver benefits to communities comes from its strategic planning framework. During 2010/11, the organization renewed its areas of strategic focus for the next four years. Done in consultation with Basin residents, this ensures that CBT is returning benefits to the region and accomplishing its mission in the most meaningful and effective manner.

The Delivery of Benefits strategies continue to reflect these overarching strategic priorities, and many of them are supported by more detailed plans. This approach to planning has allowed CBT to assess and pursue opportunities that are consistent with the directions set, ensure staff capacity is sufficiently allocated and develop appropriate external relationships and partnerships.

The increasing amounts available for CBT's Delivery of Benefits activities, combined with the ongoing impacts of the economy on Basin communities and organizations, has continued to be a considerable factor in how CBT approaches delivering benefits within the Basin. Communities are experiencing major transitions, and traditional funding sources available to non-profits have been curtailed. By engaging with diverse groups of residents and organizations around current needs and issues, reflecting on current information and trends relevant to the Basin and initiating additional research and analysis where required, CBT has been able to add new value to the efforts of Basin residents and have a unique impact on well-being in the Basin. This is evidenced by CBT's dedication of staff resources in key roles, the support provided to individual projects and the partnerships renewed or developed over 2010/11.

MEASURES

Measuring CBT's performance in the area of Delivery of Benefits is a challenge, given that the organization has a broad mandate and plays a variety of roles (e.g. funder, facilitator, information resource, etc.), and its activities often have qualitative as opposed to quantitative outcomes. The work CBT does and the roles it plays are based on its strategic priorities, which are set in consultation with Basin residents.

As CBT is accountable to Basin residents and as the organization ultimately supports efforts of residents and the well-being of the region, for 2010/11 the organization introduced a measure of assessing Basin residents' perceptions of CBT and, in particular, whether residents feel that CBT is making a positive difference in their lives and communities.

CBT also has a wide range of partners, including local governments, regional non-profit bodies and organizations that have social, economic, environmental and/or youth mandates that are complementary to that of CBT. CBT engages with its partners regularly to explore opportunities for collaboration, and CBT's partners are the conduits through which numerous programs and initiatives are delivered to residents. As such, CBT also introduced a measure of assessing the perceptions of its partners in 2010/11.

Going forward, these measurements will be attained by administering biennial surveys to Basin residents and to CBT's Delivery of Benefits partners. CBT will engage an independent market research firm to gauge residents' and partners' awareness levels and perceptions of CBT. This method will ensure that data will be collected independently from CBT and results will be valid.

While measuring perceptions of CBT's effectiveness and how they change over time will provide valuable feedback to CBT, the organization is also mindful of the diversity of roles it plays

SHAPING OUR FUTURE TOGETHER BY BRINGING PEOPLE TOGETHER AROUND KEY ISSUES

Nearly 300 people from communities throughout the Basin attended the 2010 Columbia Basin Symposium in Revelstoke, October 22 to 24, 2010.

Entitled "Shaping Our Future Together: Take Action, Build Partnerships, Strengthen Communities," the event engaged key leaders and residents active in their communities to collectively look toward the future of the Basin, while also discussing and addressing some of today's key issues. The Symposium included several facilitated sessions covering economic development, alternative energy, community engagement and building resilient organizations.

In addition to the sessions, delegates were introduced to an innovative regional future scenario planning process as a way to begin a conversation about the Basin's future. Attendees were encouraged to consider the key drivers that will shape the Basin and how our responses to them could lead to very different, but likely, future scenarios for the region.

www.cbt.org/2010symposium

Above: Nearly 300 people from communities throughout the Basin attended the 2010 Columbia Basin Symposium in Revelstoke.

Right: Participants of the 2010 Columbia Basin Symposium

SHAPING OUR FUTURE TOGETHER BY FACILITATING EMPLOYMENT FOR BASIN STUDENTS

Launched as a pilot program in spring 2010, the Summer Works Program encourages businesses to provide summer employment for high school and post-secondary students by providing up to eight dollars per hour in wage subsidies for entry-level and career-related positions.

Upon an evaluation of the pilot year, the Board committed an additional $110,000 to the continuation of the program for 2011/12, with an earlier start date to better accommodate the needs of employers and post-secondary students.

www.cbt.org/economic

"The Summer Works Program gave me the opportunity to work for a local businesses in my own community, where I was able to apply what I learned at school about operating a small, local business."

HOLLY GIFFORD, SUMMER MARKETING MANAGER, ALPINE RAFTING, GOLDEN

Below: Valerie Pleym, Owner, Alpine Rafting, and Holly Gifford, Summer Marketing Manager, hired with support from CBT's Summer Works Program.

and the range of outcomes it strives to attain. In recognition of this, CBT is developing performance measures and success indicators for each of its strategic initiatives and partnerships. This will be a phased process, in which measures are developed for a select number of initiatives each year.

CBT will also continue to complete regular evaluations of its programs and initiatives to assess impacts and performance. As part of its annual planning process, CBT chooses how many and which programs to evaluate based on resource capacity and funding cycles. In managing how the work is conducted, CBT typically hires external consultants and encourages a range of data collection and stakeholder engagement strategies be used. Results generated assist CBT in understanding the influence of its programs in the region, identify opportunities to improve program delivery and guide future program directions.

RESULTS

CBT surveyed residents and partners on their perceptions of whether CBT was making a positive difference in communities. A random sample of 811 Basin residents (providing statistically accurate results to within +/- 3.5 per cent, 19 times out of 20) was surveyed, using a random telephone sample and a standard random selection process within each household. To further ensure that a representative sample of residents was achieved, regional quotas were established to reflect the geographic distribution of Basin residents. Within the sample, 81 per cent of residents indicated they had at least some familiarity with CBT, of whom 74 per cent either strongly agreed or somewhat agreed that CBT is making a positive difference in their communities. This figure of 74 per cent is the baseline reported for 2010/11, and, going forward, CBT has set a target of 78 per cent for 2012/13.

CBT identified a total of 98 partners in the area of Delivery of Benefits by considering the following factors:

- The nature of the partner's relationship and engagement with CBT, and the importance of a positive working relationship with the partner to CBT's ability to fulfill its mandate in the region; and
- The extent to which the partner represented a larger body or entity, either geographically based or as a community of interest.

SHAPING OUR FUTURE TOGETHER BY PROVIDING AFFORDABLE HOUSING

CBT is celebrating the development of affordable housing for seniors in need and people with disabilities across the Basin, created through a partnership with the Government of Canada and the Province of BC.

One of the goals of CBT's social strategic plan is to assist communities in effectively dealing with affordable housing issues and to support new housing initiatives.

CBT committed $425,000 to the overall capital costs of eight sites in the Basin, for a total of 114 units, under the Seniors' Rental Housing initiative. Projects are being built in Cranbrook, Kimberley, Creston, Baynes Lake, Golden, Revelstoke (2) and Valemount.

These developments are designed to stimulate the local economy and increase affordable rental housing units for seniors and persons with disabilities in smaller communities. In addition to working with provincial and federal governments, CBT celebrates the efforts of the people in Basin communities who have worked to make these projects a reality.

www.cbt.org/social

Right: Artist's rendering of units being constructed.

These partners were contacted by the research firm and asked to complete a survey, either by telephone or online. A total of 42 partners completed the survey, representing 43 per cent of all partners identified and providing results that are statistically accurate to within a maximum of +/- 11.5 per cent, 19 times out of 20. Of those 42 partners, 96 per cent indicated that they either agreed or somewhat agreed that CBT was making a positive difference in their communities. The figure of 96 per cent is the baseline reported for 2010/11, and, going forward, CBT has set a target of 96 per cent for 2012/13.

The survey results provide CBT with a sense of the perceptions of the organization held by residents and partners. Results are also relevant and useful to aspects of CBT's operations and staff working in particular strategic initiatives.

Assessment by Basin Residents of CBT's Effectiveness

Results 2008/09	Results 2009/10	Baseline 2010/11	Target 2010/11	Target 2011/12	Target 2012/13
N/A	N/A	74%	*	*	78%

Assessment by CBT Partners of CBT's Effectiveness

Results 2008/09	Results 2009/10	Baseline 2010/11	Target 2010/11	Target 2011/12	Target 2012/13
N/A	N/A	96%	*	*	96%

* The initial surveys for these measures were conducted in late 2010. The results from each survey helped CBT establish the baselines for 2010/11. Targets were also set for 2012/13, in line with CBT's intent to repeat the surveys on a biennial basis. This will allow sufficient time for CBT to work with and engage residents and partners and complete work related to its strategic priorities. Given that these measures are very specific to CBT's context, no benchmarking comparisons are made. Targets set are consistent with those appearing in the *2011/12 - 2013/14 Service Plan*.

CORPORATE OPERATIONS

GOAL

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

STRATEGIES

1. **Develop a formal risk management framework.**
2. **Review and implement improvements to CBT's various business processes that support its Delivery of Benefits activities, including processes related to contract management, records management and information tracking and retrieval.**
3. **Develop human resources strategies and supports, including an individualized employee performance framework and appropriate benefits.**
4. **Develop a formal communications strategic plan.**
5. **Implement a corporate carbon neutral plan.**

HIGHLIGHTS

Corporate Operations includes communications, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to manage its Investment Program and support its Delivery of Benefits activities. Fiscal year 2010/11 was the final year that the Province provided $2 million per year for CBT's operating costs.

CBT took a number of steps to shape the management of its Corporate Operations. For example, CBT:

- completed a communications strategy to provide high-level direction on CBT's communications activities;
- initiated two audit processes for Delivery of Benefits activities: one looking at internal controls, policies and procedures specific to good financial management practices; the other an external audit program verifying that CBT funds are being used for intended purposes and expenses incurred are in accordance with approved budgets;
- successfully enrolled in the Public Service Pension Plan, which will provide CBT with a competitive pension package to attract and retain employees; and
- continued implementation of CBT's Carbon Neutral Plan through corporate actions and support to community efforts.

CBT will now look to broaden its focus in building on the foundation of Corporate Operations. For instance, reviews and improvements of business practices will take CBT's overall operations into consideration, and implementing appropriate sustainability principles will look beyond carbon neutrality. CBT's new overarching strategic priorities also state CBT's desire to be an employer of choice, thus creating additional emphasis on developing human resources strategies and supports.

MEASURES

In deciding how to measure the performance of its integral corporate functions, CBT needed to link its overall goal for this business area to a few key measures. In 2010/11, CBT introduced three measures that will provide CBT with valuable insight into the effectiveness of Corporate Operations.

Maturity of Planning Practices: By annually assessing the maturity of its planning practices, CBT monitors the effectiveness of its planning functions (including prioritization, business and operational planning and the allocation of resources).

Maturity of Risk Management Practices: CBT will develop a formal and enterprise-wide risk management framework over the next two to three years. In recognition that CBT's capacity to identify, assess and manage risks at all levels in the organization will be built over this time, an annual self-assessment of maturity of risk management practices will help measure the organization's progress in achieving this strategy.

In order to rate the maturity of planning practices and risk management practices, CBT annually performs an internal assessment of those respective practices against a set of descriptions representing four levels of attainment within each measure; level 1 would indicate absent or immature practices, whereas level 4 would show widespread adoption and implementation of practices. Current levels of maturity and targets are discussed and approved by the Board of Directors.

Average Budget Variances and Contributing Factors: By measuring budget variances (for revenues and expenses, by major category), CBT will assess its ability to forecast appropriately and set realistic budgets, as well as manage its resources effectively over the course of a fiscal year. CBT anticipates that some factors beyond the organization's control will impact its actual financial results, but this measure will provide CBT with a meaningful indication of how well its resources are managed.

Budget variance is calculated as the difference between the corporate budget, approved by CBT's Board of Directors in January each year, and actual results, as reported in CBT's consolidated financial statements at the fiscal year-end. Targets are established by reviewing historical performance and budget variances, considering the degree of actual costs that could reasonably be expected to deviate from the budget and, most importantly, assessing CBT's tolerance for budget variances.

For 2010/11, the budget variance measure refers exclusively to CBT's budget for Corporate Operations, which includes areas such as staff remuneration and development, professional fees, Board and Board committee costs, information technology and communications.

RESULTS

For 2010/11, it was determined that CBT had attained a level of 2.5 for the maturity of planning practices, and a level of 2 for the maturity of risk management practices. These baseline levels informed targets for future fiscal years as shown in the table on the right.

CBT established a target of no greater than 5 per cent in which actual expenses are greater than the budget.

Maturity of Planning Practices

Results 2008/09	Results 2009/10	Baseline 2010/11	Target 2010/11	Target 2011/12	Target 2012/13
N/A	N/A	2.5	N/A	3	4

Maturity of Risk Management Practices

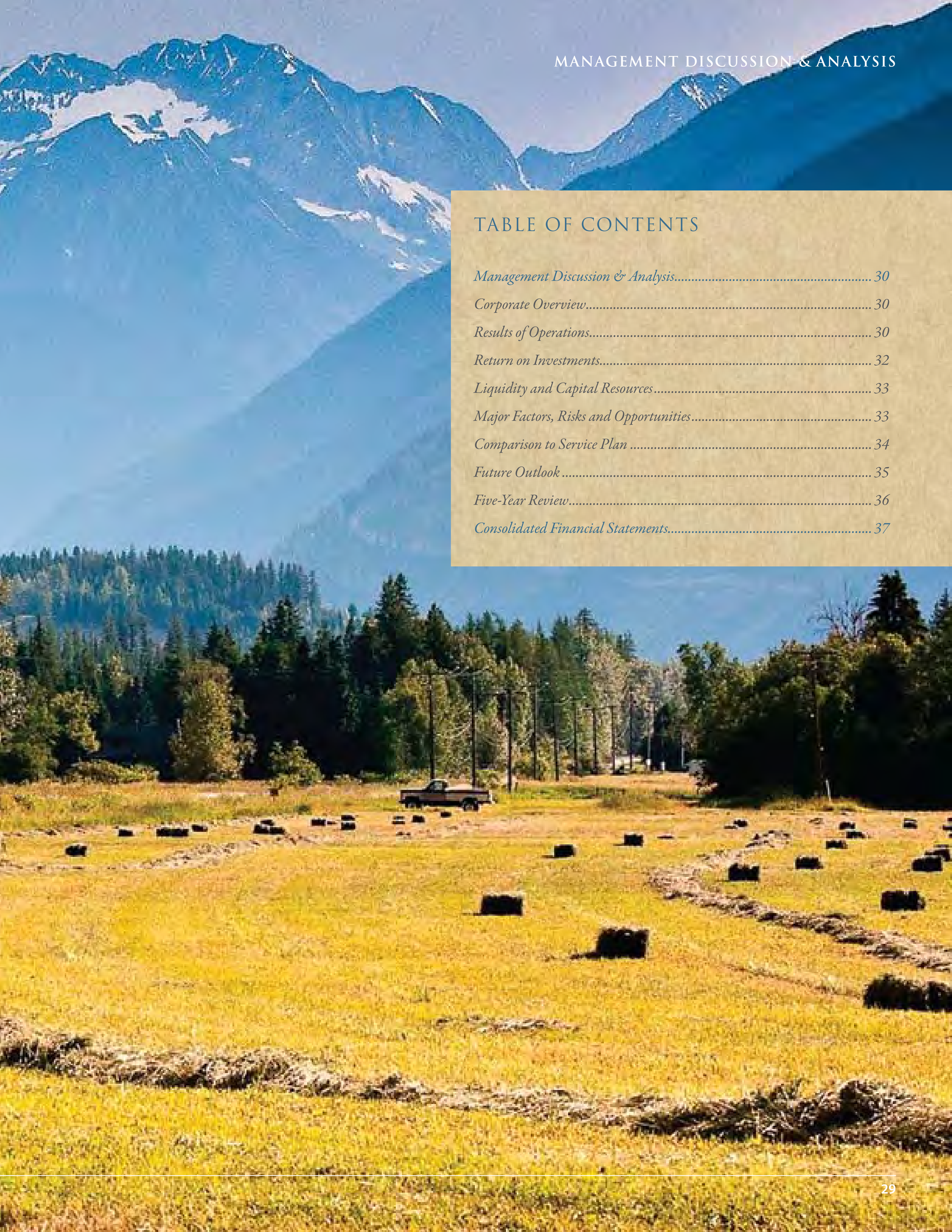
Results 2008/09	Results 2009/10	Baseline 2010/11	Target 2010/11	Target 2011/12	Target 2012/13
N/A	N/A	2	N/A	3	3

Budget Variance for Corporate Operations

Results 2008/09	Results 2009/10	Baseline 2010/11	Target 2010/11	Target 2011/12	Target 2012/13
N/A	N/A	(4%)	N/A	5%	5%

The targets noted in the preceding tables are consistent with the targets set in the *2011/12 - 2013/14 Service Plan.*

Above: Sunset outside Cranbrook by Sparwood resident Sherry Benko.
Next Page: Meadow Creek by Kaslo resident Gail Spitler.



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MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis provides management's perspective of the consolidated financial position and results of operations of CBT for the year ended March 31, 2011. It should be read in conjunction with the audited consolidated financial statements and associated notes and material contained in the Annual Report. Forward-looking statements contained in this discussion are based on management's beliefs and information currently available and are subject to risks and uncertainties. As such, actual results could differ materially from those set forth in this discussion.

CORPORATE OVERVIEW

CBT was established by the *Columbia Basin Trust Act (1995)* and has two core functions:

1. Invest capital and manage the assets of CBT; and
2. Spend the income earned from CBT's investments to deliver benefits to the Basin.

CBT invests in three major categories:

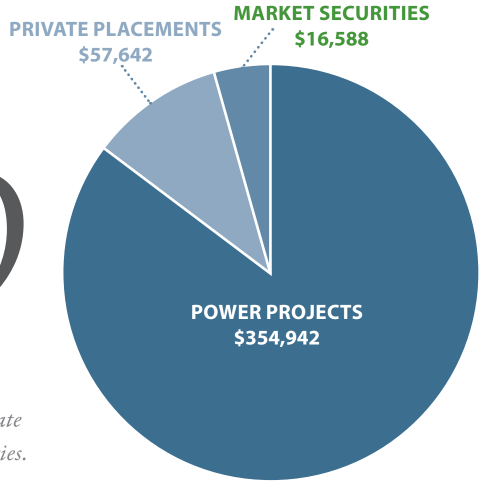
1. **Power Projects:** Hydroelectric power projects located in the Basin;
2. **Private Placements:** Direct investments and loans to Basin-based commercial businesses; and
3. **Market Securities:** A diversified investment portfolio of publicly traded financial instruments, including short-term deposits, bonds and equities.

THE TOTAL OF CBT'S INVESTMENTS:

429

MILLION DOLLARS

This is allocated to three major categories: Power Projects, Private Placements and Market Securities.



Using the income earned from the Investment Program, CBT's Delivery of Benefits activities support the efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

RESULTS OF OPERATIONS

The summary financial information is prepared on a consolidated basis. Revenues are recorded by major category of investment, rather than at a subsidiary level. CBT has a number of subsidiaries, which are simply holding companies for those categories of investment. All revenues are reported on a gross basis with the exception of joint venture revenues, which are net of joint venture expenses.

Total revenues increased in 2010/11 to $28.4 million from $26.1 million in 2009/10. The majority of this increase was attributed to Power Projects revenues.

POWER PROJECTS

Power Projects revenues consist of the net income received from the three hydroelectric power projects in which CBT is a fifty-fifty partner with Columbia Power. The three power projects produced another strong year of power generation, as they continued to be fully operational and experienced little or no unplanned downtime for maintenance or repairs. Total power sales revenues increased in 2010/11 to $23 million from $21 million in 2009/10. This increase is primarily due to:

- a full year of revenues from two power sales agreements concerning Brilliant Expansion;
- higher than expected plant utilization; and
- the escalation in energy prices on the power sales agreement concerning Arrow Lakes Generating Station.

PRIVATE PLACEMENTS

Private Placements include all revenues received from investments made within the Basin, including Real Estate and Business Loans.

Real Estate investments include CBT's ownership interest in seniors' facilities located in eight Basin communities. Net income received from Real Estate investments increased by 27 per cent to $600,000, from $473,000 in the previous fiscal year. This was due to operations commencing at two of the new facilities early in the fiscal year.

RESULTS OF OPERATIONS[1]

(in thousands)

	2010/11	2009/10	Variance Amount	Variance %
Revenues				
Power Projects	$22,996	$20,966	$2,030	9.7
Private Placements	1,797	1,780	17	1.0
Income Securities	1,076	1,090	(14)	(1.3)
Market Securities	575	258	317	122.9
Contributions From the Province of BC	2,000	2,000	-	-
	28,444	**26,094**	**2,350**	**9.0**
Operating Expenses				
Staff Remuneration and Development	3,579	3,549	30	0.8
General Operating Expenses	2,055	2,030	25	1.2
	5,634	**5,579**	**55**	**1.0**
Recoveries	775	859	(84)	(9.8)
Delivery of Benefits	11,167	10,859	308	2.8
Excess of Revenues Over Expenses Before Other Items	**12,418**	**10,515**	**1,903**	**18.1**
Unrealized Gain on Market Securities	949	2,355	(1,406)	(59.7)
Discount on Promissory Note	(12,285)	-	(12,285)	-
Excess of Revenues Over Expenses	**$1,082**	**$12,870**	**$(11,788)**	**(91.6)**

1. This financial information, including forecast information, was prepared based on current Canadian generally accepted accounting principles.

The Business Loans portfolio experienced a slight drop in revenues in 2011, to $1.2 million from $1.3 million in 2009/10. This is largely due to the full repayment of the principal portion of some loans in the portfolio. Investment staff continue to be actively engaged with Basin communities, and, over the past fiscal year, a total of $5.7 million was approved for new lending through CBT's Business Loans portfolio. Most of these new commitments did not advance until after year-end.

MARKET SECURITIES

CBT's diversified Market Securities portfolio continued to experience growth in 2010/11 and recorded $575,000 in realized revenues and a $949,000 unrealized gain. The market value of this portfolio at the end of the fiscal year was $16.6 million.

INCOME SECURITIES

Income Securities revenues consist of interest revenue from a portfolio of short-term deposits held at financial institutions within the Basin. Revenues were consistent with the previous fiscal year, with interest rates remaining low. Deposits in the income securities portfolio happen throughout the year by way of dividend transfers from both power and non-power investments. Balances will decrease throughout the year as cash is used for Delivery of Benefits commitments, new investment opportunities and corporate operating expenses. The balance in the income securities portfolio decreased in the latter part of the fiscal year due to monies being transferred for construction costs related to WAX.

PROMISSORY NOTE

On October 1, 2010, all deferred development costs and expansion rights related to WAX were sold to the Waneta Expansion Limited Partnership (WELP) in exchange for a $72-million, non-interest-bearing Promissory Note to the Waneta Expansion Power Corporation (a corporation owned fifty-fifty by CBT and Columbia Power). This new partnership was formed with Fortis holding a 51 per cent interest, Columbia Power a 32.5 per cent interest and CBT a 16.5 per cent interest.

The Promissory Note is non-interest-bearing and is payable on the fifth anniversary of the commercial operation date of WAX. At this time, the commercial operation date is estimated to occur in 2015, therefore making the Promissory Note's estimated repayment date in 2020, ten years from the date of issuance. Using an effective interest rate of 5.5 per cent, to reflect its current present value of $42.8 million at March 31, 2011, the Promissory Note has been discounted. CBT's portion of the present value of the Promissory Note receivable is $18 million.

POWER PROJECTS

(in thousands)

	2010/11	2009/10	Variance Amount	%
Brilliant Dam				
Revenues	$19,195	$18,873	$322	1.7
Expenses	13,415	13,311	104	0.8
Net Income	5,780	5,562	218	3.9
Brilliant Expansion				
Revenues	17,008	15,263	1,745	11.4
Expenses	6,919	6,674	245	3.7
Net Income	10,089	8,589	1,500	17.5
Arrow Lakes Generating Station				
Revenues	17,253	16,643	610	3.7
Expenses	9,691	9,791	(100)	(1.0)
Net Income	7,562	6,852	710	10.4
Development Expenses	(435)	(37)	(398)	-
	$22,996	$20,966	$2,030	9.7

PRIVATE PLACEMENTS

(in thousands)

	2010/11	2009/10	Variance Amount	%
Real Estate	$600	$473	$127	26.8
Business Loans	1,197	1,307	(110)	(8.4)
	$1,797	$1,780	$17	1.0

INCOME SECURITIES

(in thousands)

	2010/11	2009/10	Variance Amount	%
Income Securities	$1,076	$1,090	$(14)	(1.3)

MARKET SECURITIES

(in thousands)

	2010/11	2009/10	Variance Amount	%
Realized Gain	$575	$258	$317	122.9
Unrealized Gain	$949	$2,355	$(1,406)	(59.7)

Interest income will be recorded each year to reflect the new present value of the Promissory Note. This will continue until 2020, when the face value of the Promissory Note will equal its present value.

OPERATING EXPENSES

Overall total operating expenses were largely unchanged from last year.

RECOVERIES

Recoveries were received from Columbia Power for information technology services, reception services and rental income. Recoveries were also received from CBT's Power Projects subsidiaries for management services. Recoveries are expected to decline over the next three years as the reception service contract was cancelled by Columbia Power in 2010/11, and as the high volume of management time spent in Power Projects will decrease given the completion of WAX investigation.

DELIVERY OF BENEFITS

Funds used to benefit communities increased in 2010/11 to $11.2 million from $10.9 million in 2009/10. CBT accounts for its Delivery of Benefits disbursements on a cash basis for financial reporting purposes. In addition to these disbursements, there was a total of $3.7 million in outstanding financial commitments activities as of March 31, 2011 (of which $2.6 million were new commitments made in 2010/11). These commitments have been approved and have either not yet been disbursed or are linked to project completion with a portion of funds held back until CBT is satisfied that the project is complete.

RETURN ON INVESTMENTS

CBT experienced an 8.15 per cent annual return from Power Projects, which exceeded its 8 per cent performance target. This return was stronger than the 7.69 per cent return realized in 2009/10.

The Private Placements portfolio generated an annual return of 8.32 per cent, relatively unchanged from the 8.29 per cent realized in 2009/10. This portfolio consists of investments in both Real Estate and Business Loans. The return from Business Loans totalled 7.46 per cent, while the returns from Real Estate totalled 9.33 per cent.

CBT's return on Market Securities remained strong at 10.10 per cent. This portfolio is considered long-term in nature and is intended to create value over time.

LIQUIDITY & CAPITAL RESOURCES

DIVIDENDS

CBT received $31.5 million in dividends from its Power Projects and $1.4 million from its joint venture Real Estate projects. These funds may be placed in Income Securities until they are required for investment opportunities, Delivery of Benefits obligations, funding for WAX or corporate operating expenses.

CAPITAL EXPENDITURES

CBT classifies capital expenditures according to key projects and investments. The figures in the table represent CBT's share. Total capital spending during the year was $30.7 million. Almost all of these funds were invested in Power Projects. The major component of the capital expenditures was for CBT's investment in WAX. CBT invested a total of $26.6 million in 2010/11 for development activities in WAX. All other Power Projects expenditures were for planned regular upgrades and sustaining capital expenditures.

CBT corporate assets consist of its Castlegar building, leasehold improvements, office furniture and equipment and information technology equipment. In 2010/11, CBT purchased new information technology server equipment as part of its technical infrastructure standardization strategy.

Above: Brilliant Dam and Brilliant Expansion.

CAPITAL EXPENDITURES
(in thousands)

	Actual 2010/11
Arrow Lakes Generating Station	$265
Brilliant Expansion	293
Waneta Expansion Project	1,621
Investment in WELP	26,565
Brilliant Dam	1,722
CBT Corporate Assets	252
	$30,718

MAJOR FACTORS, RISKS & OPPORTUNITIES

DELIVERY OF BENEFITS

In 2010/11, CBT returned $11.2 million in direct funding benefits to Basin communities. This is a record disbursement of funds. Even so, CBT remained under-spent in the total funds available for Delivery of Benefits activities. Many steps were taken over the past year to ensure CBT expends current and future funds available to help residents build stronger communities. The renewal of the organizational strategic priorities is a guide for overall resource dedication, and informed the dedication of two director-level staff positions for Community Engagement and Youth Initiatives. Existing programs were reviewed for opportunities to enhance or expand the benefits they provide and, as a result, CBT dedicated increased funds over the past year to successful programs such as the Summer Works Program. In 2010/11, CBT began to explore many potential new roles and areas of involvement for the organization.

INTERNAL AUDIT PROGRAM

In 2010/11, as part of CBT's internal audit program, CBT engaged a consultant to audit CBT's Delivery of Benefits internal controls, policies and procedures and provide recommendations for improvement. Specifically, Delivery of Benefits policies and procedures were assessed to ensure strong financial management and adherence to financial management policies and procedures. The final audit report concluded that internal controls were generally sound and provided recommendations on general file management procedures and processes and program implementation procedures.

DELIVERY OF BENEFITS AUDIT PROGRAM

CBT is in the first stages of developing an audit program for its Delivery of Benefits activities. In March 2011, an external accounting firm was hired to perform compliance audits for two programs and two projects that were funded through the Delivery of Benefits Program. This audit program will ensure:

- CBT funds are being expended for their intended purposes;
- expenditures incurred are in accordance with approved budgets; and
- any other terms and conditions that CBT may have required within its agreements are being met.

The first stage of this program is expected to be complete by the end of June 2011.

PERFORMANCE MEASURES

In 2010/11, CBT introduced three new corporate performance measures. Measures were also introduced to help CBT assess its Delivery of Benefits performance.

PUBLIC SERVICE PENSION PLAN

In 2010/11, CBT was successfully accepted for enrolment in the Public Service Pension Plan (PSPP), effective January 1, 2011. The decision to enrol in a pension plan was made after much consideration by management and the Board of Directors. The PSPP will provide CBT with a competitive pension package to help attract and retain people.

INTEREST RATE RISK

As many of the Business Loans made in the Private Placements portfolio are linked directly to the commercial prime rate, there may be a negative impact to the returns CBT realizes on these investments. While these low rates negatively impact Business Loans, they benefit investment in Real Estate and Power Projects, as CBT's borrowing rates are positively impacted.

COMPARISON TO SERVICE PLAN

CBT provides a Service Plan each year to the British Columbia Legislature under the *Budget Transparency and Accountability Act*. The Service Plan outlines CBT's goals, objectives and key strategies, along with the results it expects to achieve for the following three-year period. Significant variances from the Service Plan are detailed below.

COMPARISON TO SERVICE PLAN

(in thousands)

	Actual	Service Plan	Variance	Three Year Forecasts		
	2010/11	2010/11	Amount	2011/12	2012/13	2013/14
Revenues						
Power Projects	$22,996	$21,426	$1,570	$17,586	$18,896	$19,913
Private Placements	1,797	1,534	263	2,117	2,101	2,065
Income Securities	1,076	1,280	(204)	3,854	2,586	1,898
Market Securities	575	125	450	350	350	350
Loan Income	-	-	-	548	548	548
Contributions From the Province of BC	2,000	2,000	-	-	-	-
	28,444	26,365	2,079	24,455	24,481	24,774
Operating Expenses						
Staff Remuneration and Development	3,579	3,908	(329)	4,091	4,296	4,500
General Operating Expenses	2,055	2,343	(288)	2,428	2,580	2,700
	5,634	6,251	(617)	6,519	6,876	7,200
Recoveries	775	697	78	473	450	450
Delivery of Benefits	11,167	15,000	(3,833)	17,000	17,000	17,000
Excess of Revenues Over Expenses Before Other items	12,418	5,811	6,607	1,409	1,055	1,024
Unrealized Gain on Market Securities	949	1,220	(271)	972	1,050	1,140
Discount on Promissory Note	(12,285)	-	(12,285)	-	-	-
Excess of Revenues Over Expenses	$1,082	$7,031	$(5,949)	$2,381	$2,105	$2,164
Capital Expenditures	$30,037	$5,931	$24,106	$38,857	$44,936	$24,998

REVENUES
Early commencement of a power purchase agreement with BC Hydro, combined with higher plant availability and lower operating expenses, resulted in revenues from Power Projects being $1.6 million higher than forecast in the *2010/11 – 2012/13 Service Plan.*

DELIVERY OF BENEFITS
In CBT's financial statements, Delivery of Benefits disbursements are recorded on a cash basis, meaning that disbursements are recorded when payments are made to community projects and partners, regardless of the year for which the funds were budgeted. In its annual budget, CBT budgets new monies for Delivery of Benefits. Previous years' uncommitted funds are accounted for and are also available for disbursement, but not included in each year's new budget. This makes comparison between the budget for Delivery of Benefits and its disbursements difficult, as the figures for each are based on different information. Staff will be reviewing its approach to Delivery of Benefits budgeting over the next year to ensure it is more closely aligned with CBT's financial reporting.

DISCOUNT ON PROMISSORY NOTE
Under Canadian generally accepted accounting principles, the sale of the deferred development costs incurred on WAX for a non-interest-bearing Promissory Note required the discounting of the Promissory Note to its present value.

FUTURE OUTLOOK

REVENUES
Power Projects revenues are expected to see a decrease over the next three years due to the additional debt financing incurred to assist with construction costs for WAX. This decrease will be partially offset by an increase in Income Securities revenues, as the proceeds received from the new financing on Arrow Lakes Generating Station were placed in short-term interest-bearing investments. These funds will be transferred to the WELP over the next four years for construction of WAX.

CORPORATE EXPENSES
Staff salaries and benefits make up over 60 per cent of CBT's total operating expenses. The Board of Directors carefully considers the impact of changes to both staffing levels and remuneration each year.

WANETA EXPANSION PROJECT
The new partnership (WELP), formed in 2010 by CBT, Columbia Power and Fortis, will continue with the development of WAX over the next four years. This project is expected to create over 400 jobs during its construction period, which is expected to be complete in 2015. All power will be sold to BC Hydro, with surplus capacity sold to Fortis BC. CBT's proportionate share of project costs are estimated to be $115 million.

LONG-TERM DEBT
In April 2011, a new $350-million bond placement, with a coupon rate of 5.52 per cent, was finalized using assets at Arrow Lakes Generating Station. The existing debt was refinanced and the net proceeds were distributed to CBT and Columbia Power. These monies will be used by both organizations to assist with their respective portions of construction costs for WAX over the next four years.

Upon receipt of these funds, CBT entered into a $20-million loan agreement with Columbia Power with interest calculated at 5.67per cent per annum. Interest only is payable until 2016, after which the loan will be repayable in 50 semi-annual payments of principal and interest.

FIVE-YEAR REVIEW

	2006/07	2007/08	2008/09	2009/10	2010/11
Revenues					
Power Projects	$14,555	$17,376	$18,891	$20,966	$22,996
Private Placements	1,224	1,849	1,478	1,780	1,797
Income Securities	1,498	1,872	1,540	1,090	1,076
Market Securities	-	-	208	258	575
Contributions From the Province of BC	1,996	2,089	2,000	2,000	2,000
	19,273	**23,186**	**24,117**	**26,094**	**28,444**
Operating Expenses					
Staff Salary and Remuneration	2,491	2,751	3,129	3,549	3,579
General Operating Expenses	1,891	1,762	1,802	2,030	2,055
	4,382	**4,513**	**4,931**	**5,579**	**5,634**
Recoveries	453	713	804	859	775
Delivery of Benefits	5,256	5,350	8,976	10,859	11,167
Excess of Revenues Over Expenses Before Other Items	**10,088**	**14,036**	**11,014**	**10,515**	**12,418**
Unrealized Gain (Loss) on Market Securities	-	-	(2,758)	2,355	949
Discount on Promissory Note	-	-	-	-	(12,285)
Excess of Revenues Over Expenses	**$10,088**	**$14,036**	**$8,256**	**$12,870**	**$1,082**

HUMAN RESOURCES

Over the next two years, CBT will continue to concentrate on shaping its internal human resources practices to ensure it is an employer of choice in the Basin. For example, CBT will continue to ensure its compensation, benefits and human resources policies remain competitive to attract and retain CBT's most important resources: staff.

ENTERPRISE-WIDE RISK MANAGEMENT PROGRAM

CBT is committed to establishing a framework that ensures risk management is an integral part of its activities. The development of an Enterprise-wide Risk Management (ERM) Program will ensure the risks that CBT could face are identified and managed. Over the next year, CBT will be allocating internal and external resources to begin to build an ERM foundation and engage management and staff in risk assessments, which would include business, operational, strategic and financial risks.

DELIVERY OF BENEFITS

In supporting community development and well-being in the Basin, CBT sees it has a valuable role in fostering greater collaboration and partnership between communities.

Where interest in working together is developing, either between neighbouring communities or within a "community" of shared interests, CBT is prepared to facilitate and provide support for collaboration. CBT is also committed to enhancing community participation in project decision-making, so that communities are determining how best to advance their priorities.

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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 generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT'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 CBT's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that CBT'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, Yule Anderson, Chartered Accountants, have been appointed by CBT's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. 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 Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The 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 Audit Committee, with and without the presence of management.

Neil Muth
President & Chief Executive Officer

Christine Lloyd
Director, Finance & Operations

INDEPENDENT AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Jobs, Tourism and Innovation:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise the consolidated statement of financial position as at March 31, 2011 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Castlegar, BC
May 30, 2011

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31 *(in thousands)*	**2011**	**2010**
ASSETS		
CURRENT		
Cash (Note 4)	$ 15,875	$ 14,333
Unbilled power projects revenue	4,978	5,196
Accrued interest and other assets (Note 5 and 20(b))	11,793	5,241
	32,646	24,770
INVESTMENTS		
Power projects (Note 6 and 20(b))	354,942	361,778
Private placements (Note 7)	57,642	59,874
Income securities (Note 8)	29,161	44,892
Market securities (Note 9)	16,588	15,064
	458,333	481,608
OTHER		
Capital assets (Note 10)	2,825	2,838
Deferred amounts (Note 11)	-	34,492
Promissory note (Note 12)	17,955	-
Investment in Waneta Expansion Limited Partnership (Note 13)	26,565	-
	47,345	37,330
	$ 538,324	$ 543,708
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 20(b))	$ 3,956	$ 3,975
Accrued interest payable	2,460	2,592
Current portion of long-term debt (Note 14)	42,182	23,919
	48,598	30,486
OTHER		
Long-term debt (Note 14)	99,377	124,365
Restricted contribution (Note 15)	410	-
	99,787	124,365
NET ASSETS		
Restricted (Note 19)	281,225	281,225
Unrestricted	108,714	107,632
	389,939	388,857
	$ 538,324	$ 543,708

COMMITMENTS (Notes 17 and 21), **CONTINGENCIES** (Note 18) and **SUBSEQUENT EVENTS** (Note 25)

Approved on behalf of the Board of Directors:

Garry Merkel
Chair

Mike Berg
Chair, Audit Committee

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDING MARCH 31 *(in thousands)*	**2011**	**2010**
REVENUES		
Power projects (Note 6 and 20(b))	$ 22,996	$ 20,966
Private placements (Note 7)	1,797	1,780
Income securities	1,076	1,090
Market securities (Note 9)	575	258
Contributions from the Province of BC	2,000	2,000
	28,444	26,094
OPERATING EXPENSES		
Amortization	412	361
Board and committee expenses	169	216
Corporate travel and meetings	235	243
Communications	291	355
Information technology/systems	136	128
Office and general	504	449
Professional and consultants fees	308	278
Staff remuneration and development	3,579	3,549
	5,634	5,579
RECOVERIES		
Recovery from Columbia Power Corporation (Note 20(a))	546	550
Recovery of management services (Note 20(a))	229	309
	775	859
DELIVERY OF BENEFITS (Note 21)	11,167	10,859
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEMS	12,418	10,515
UNREALIZED GAIN ON MARKET SECURITIES (Note 9)	949	2,355
DISCOUNT ON PROMISSORY NOTE (Note 12)	(12,285)	-
EXCESS OF REVENUES OVER EXPENSES	$ 1,082	$ 12,870

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Power Projects (Restricted)	Unrestricted	FOR THE YEARS ENDING MARCH 31 *(in thousands)* 2011	2010
NET ASSETS, beginning of year	$ 281,225	$ 107,632	$ 388,857	$ 375,987
Excess of revenues over expenses	-	1,082	1,082	12,870
NET ASSETS, end of year	$ 281,225	$ 108,714	$ 389,939	$ 388,857

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDING MARCH 31 *(in thousands)*	**2011**	**2010**
CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES		
Cash received from power projects	$ 53,455	$ 50,778
Cash paid for power projects operating expenses	(20,678)	(20,209)
Cash received from private placements	5,052	4,586
Cash paid for private placements' operating expenses	(1,885)	(1,610)
Cash received from income securities	1,952	1,091
Cash received from market securities	575	258
Cash received from the Province of BC	2,000	2,000
Cash paid for operating expenses	(4,241)	(4,311)
Cash paid for Delivery of Benefits	(11,167)	(10,859)
	25,063	21,724
CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(2,282)	(2,359)
Investment in real estate projects	(1,378)	(5,721)
Issuance of business loans	(2,667)	(2,238)
Repayment of business loans	3,373	3,163
Purchase (redemption) of income securities	15,156	(8,687)
Purchase of capital assets	(399)	(326)
Investment in deferred power projects cost	(2,120)	(6,135)
Investment in Waneta Expansion Limited Partnership	(26,565)	-
	(16,882)	(22,303)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Proceeds from placement of debt	973	11,741
Proceeds from restricted contribution	428	-
Repayment of debt	(8,040)	(11,641)
	(6,639)	100
INCREASE (DECREASE) IN CASH	1,542	(479)
CASH, beginning of year	14,333	14,812
CASH, end of year	$ 15,875	$ 14,333

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

COLUMBIA BASIN TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2001
(in thousands)

1. NATURE OF COLUMBIA BASIN TRUST

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

The Province initially provided CBT with $276 million that is restricted to investments in power projects, $45 million in unrestricted endowment capital and $32 million in operating grants payable in annual instalments of $2 million until April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

CBT is a not-for-profit organization as defined by Canadian generally accepted accounting principles and accordingly follows the accounting standards applicable to such organizations.

(b) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated.

CBT's investment in joint ventures is consolidated on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

CBT's investment in the Waneta Expansion Limited Partnership (WELP) is consolidated on an equity basis. Investments subject to significant influence are accounted for using the equity method.

(c) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Financial Instruments

CBT has designated its financial instruments as follows:

Held-for-trading

Cash, income securities and market securities are classified as held-for-trading. These financial assets are measured at fair value with changes in fair value recognized in income.

Loans and receivables

Investments in business loans are classified as loans and receivables. These financial assets are recorded at amortized cost net of any allowance for loan losses. The fair values of these loans do not differ significantly from their carrying values.

The Promissory Note is classified as loans and receivables and is recorded at fair market value. This asset will be measured at amortized costs in future periods.

Other liabilities

Accounts payable and accrued liabilities, current portion of long-term debt, and long-term debt are classified as other liabilities. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

(e) Power Projects

Investments in power projects are carried at cost, net of accumulated amortization.

(f) Real Estate Investments

Investments in real estate are carried at cost, net of accumulated amortization.

(g) Capitalization and Amortization

Capital assets are recorded at cost and amortized on a straight-line basis over their expected useful life. Amortization begins when an asset is placed into service. The expected useful lives, in years, are as follows:

	Years
Power projects	
Arrow Lakes Generating Station	5 - 80
Brilliant Dam	30 - 80
Brilliant Expansion	40 - 80
Real estate investments	
Buildings and improvements	30
Capital assets	
Building	30
Office furniture and equipment	5
Leasehold improvements	4 - 10
Server hardware	5
Server software	5
Workstation hardware	3
Workstation software	3
Fibre rights	25

(h) Asset Retirement Obligations

Some of CBT's assets may have asset retirement obligations. As CBT expects to use the majority of its assets for an indefinite period, no removal date can be determined and as a result, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at this time.

(i) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(j) Deferred Debt Issue Costs

Expenses incurred in issuing long-term debt are recorded with their associated long-term debt and amortized using the effective interest rate method.

(k) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets. Power projects revenue is recognized under the terms and conditions of power sales and purchase agreements with BC Hydro, PowerEx and Fortis Inc.

(l) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the *Income Tax Act*. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the *Income Tax Act*.

3. JOINT VENTURES

CBT participates in joint ventures with other parties. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	2011	2010
Assets		
Current	$ 22,020	$ 20,578
Investments	403,545	404,447
Other	21,375	34,478
	$ 446,940	$ 459,503
Liabilities		
Current	$ 46,821	$ 29,679
Long-term debt	99,377	124,365
	146,198	154,044
Net Assets		
Power and non-power projects investments	300,742	305,459
	$ 446,940	$ 459,503
Net Income		
Revenues	$ 57,731	$ 54,302
Operating expenses	(24,612)	(23,682)
Finance charges	(8,827)	(9,175)
Discount on Promissory Note	(14,625)	-
	$ 9,667	$ 21,445
Cash Flows		
Operating activities	$ 34,927	$ 32,277
Investing activities	(5,780)	(14,215)
Financing activities	(7,067)	100
	$ 22,080	$ 18,162

4. CASH

The restricted portion of cash is for the payment of construction liabilities and a portion is held in a contingency fund for real estate investments.

	2011	2010
Restricted Cash	$ 314	$ 799
Non-Restricted Cash	15,561	13,534
	$ 15,875	$ 14,333

5. ACCRUED INTEREST AND OTHER ASSETS

Accrued interest and other assets includes a $5.7 million receivable from Columbia Power Corporation (CPC). This receivable supports a reallocation of 8% of CBT's interest in the Promissory Note payable to the Waneta Expansion Power Corporation (a corporation owned 50/50 by CBT/CPC) and was recorded at its exchange amount.

6. POWER PROJECTS

CBT participates in power projects through joint ventures with CPC. CBT's interest in power projects is as follows:

	2011	2010
Brilliant Dam	$ 100,211	$ 101,010
Arrow Lakes Generating Station	129,240	133,026
Brilliant Expansion	125,491	127,742
	$ 354,942	$ 361,778

The Brilliant Dam is a 145 MW powerplant located on the Kootenay River near Castlegar, BC. The Arrow Lakes Generating Station is a 185 MW powerplant constructed 400 meters downstream of the BC Hydro Hugh Keenleyside Dam near Castlegar, BC. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the BC Hydro substation at Selkirk. CBT and CPC acquired the rights to develop and operate a new hydroelectric power facility, a portion of which was allocated to the existing Brilliant Dam in connection with upgrades. The expansion rights have been fully exercised with the completion of the Brilliant Expansion in 2007. The Brilliant Expansion is a 120 MW powerplant located near the existing Brilliant Dam. Amortization of the expansion rights commenced with commercial operations.

POWER PROJECTS ASSETS ARE AS FOLLOWS:

	Cost	Accumulated Amortization	2011	2010
Brilliant Dam				
Capital assets	$ 123,664	$ (28,520)	$ 95,144	$ 95,874
Expansion rights	2,763	(240)	2,523	2,592
Land	2,544	-	2,544	2,544
	128,971	(28,760)	100,211	101,010
Arrow Lakes Generating Station				
Capital assets	149,414	(27,936)	121,478	124,302
Power sales contract	11,376	(7,310)	4,066	5,028
Land	3,696	-	3,696	3,696
	164,486	(35,246)	129,240	133,026
Brilliant Expansion				
Capital assets	123,749	(7,788)	115,961	117,951
Expansion rights	10,463	(933)	9,530	9,791
	134,212	(8,721)	125,491	127,742
	$ 427,669	$ (72,727)	$ 354,942	$ 361,778

NET POWER PROJECTS INCOME CONSISTS OF:

	2011	2010
Revenues		
Sale of power	$ 51,225	$ 48,669
ecoEnergy grants	2,230	2,110
	53,455	50,779
Expenses		
Finance charges	7,229	7,599
Operation of powerplants	13,413	13,229
Expensed development costs	699	-
Amortization of power projects assets	9,118	8,985
	30,459	29,813
	$ 22,996	$ 20,966

CBT and CPC have entered into a contribution agreement with the Government of Canada to receive ecoEnergy power grants for a period of ten years. The grants are earned at the rate of $10 per megawatt hour and are based on sales of eligible energy generated by the Brilliant Expansion. The Brilliant Expansion is expected to produce adequate power over the ten year period of the contribution agreement. CBT's portion of the entitlement this year was $2.2 million (fiscal 2010 - $2.1 million).

7. PRIVATE PLACEMENTS

Private placements consist of real estate and business loans. CBT's interest in private placements is as follows:

	2011	2010
Real estate	$ 42,021	$ 43,552
Business loans	15,621	16,322
	$ 57,642	$ 59,874

Real Estate

CBT's interest in real estate, comprised of seniors' care facilities, is as follows:

	Land	Building	2011	2010
Operating facilities	$ 2,728	$ 45,425	$ 48,153	$ 39,208
Projects under development	-	-	-	8,970
Less: Accumulated amortization	-	(6,132)	(6,132)	(4,626)
	$ 2,728	$ 39,293	$ 42,021	$ 43,552

Operating facilities consist of eight seniors' care facilities located throughout the Basin.

Business Loans

CBT provides business loans that are generally secured by real estate and have terms extending no further than fifteen years. A portion of these loans are made in partnership with other lending organizations, with the remainder of the loans made directly by CBT.

	2011	2010
Business loans	$ 15,731	$ 16,437
Less: Loan loss allowance - general	(110)	(115)
	$ 15,621	$ 16,322

Maturity Terms

	Under 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	**2011** Total
Business loans	$ 1,744	$ 8,432	$ 5,336	$ 219	$ 15,731

PRIVATE PLACEMENTS INCOME CONSISTS OF:

	2011	**2010**
Real estate		
Revenues	$ 4,048	$ 3,312
Finance charges	(1,898)	(1,576)
Amortization	(1,550)	(1,263)
	600	473
Business loans	1,197	1,307
	$ 1,797	$ 1,780

8. INCOME SECURITIES

CBT's interest in income securities is as follows:

	2011	**2010**
Unrestricted		
Term securities	$ 22,485	$ 38,333
Restricted		
Debt service reserve fund	3,931	3,926
Operating reserve fund	1,361	1,348
Power agreement accounts	1,384	1,285
	$ 29,161	$ 44,892

The debt service reserve fund and the operating reserve fund are required under the terms of joint venture debt financing, which requires that cash or cash equivalents equal to one semi-annual payment on the Brilliant Dam Bonds and an amount equal to one-quarter of annual operating expenses be maintained. The power agreement account secures letters of credit issued to BC Hydro for development security under three power sales and energy agreements. These funds are not available to CBT.

9. MARKET SECURITIES

CBT's interest in market securities is as follows:

	2011	**2010**
Cost	$ 16,042	$ 15,467
Market value	$ 16,588	$ 15,064

CBT has a diversified securities portfolio which includes short-term deposits, bonds and equities and is managed by BC Investment Management Corporation. The market value of this portfolio at March 31, 2011, was $16.6 million (fiscal 2010 - $15 million). Accordingly, CBT has recognized a realized gain of $575,000 (fiscal 2010 - $258,000) and an unrealized gain of $949,000 (fiscal 2010 - $2.4 million) on its Statement of Operations.

MARKET SECURITIES INCOME CONSISTS OF:

		2011		2010
Dividends/interest	$	410	$	411
Realized gain (loss)		165		(153)
	$	575	$	258

UNREALIZED GAIN/(LOSS) ON MARKET SECURITIES

		2011		2010
Opening balance	$	15,064	$	12,451
Contributions		575		258
		15,639		12,709
Market value		16,588		15,064
Unrealized gain on market securities	$	949	$	2,355

10. CAPITAL ASSETS

CBT's interest in capital assets is as follows:

		Cost		Accumulated Amortization		2011		2010
Land	$	70	$	-	$	70	$	70
Building		3,190		(1,099)		2,091		2,213
Office furniture and equipment		518		(403)		115		180
Leasehold improvements		634		(548)		86		123
Server hardware		413		(157)		256		-
Server software		30		(28)		2		-
Workstation hardware		244		(184)		60		23
Workstation software		53		(45)		8		156
Fibre rights		145		(8)		137		73
	$	5,297	$	(2,472)	$	2,825	$	2,838

Fibre rights consists of the right to use dedicated strands of fibre optic cable in the Town of Golden and the City of Cranbrook. CBT has entered into long term agreements with Columbia Mountain Open Network, the Town of Golden and the City of Cranbrook.

11. DEFERRED AMOUNTS

In October 2010, the deferred Waneta Expansion development costs and expansion rights were sold to the Waneta Expansion Limited Partnership (WELP) in exchange for a non-interest bearing Promissory Note.

12. PROMISSORY NOTE

On October 1, 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to WELP in exchange for a $72 million non-interest bearing Promissory Note payable to the Waneta Expansion Power Corporation (a corporation owned 50/50 by CBT and CPC).

The Promissory Note is non-interest bearing and is payable on the fifth anniversary of the commerical operation date of the Waneta Expansion Project. At this time, the commercial operation date is estimated to occur in 2015, thereby making the Promissory Note's estimated repayment date in 2020, ten years from the date of issuance. The Promissory Note has been discounted, using an effective interest rate of 5.5% to reflect its current present value of $42.8 million at March 31, 2011 (CBT's portion is $18 million).

13. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

CBT Waneta Expansion Power Corporation (16.5% interest), CPC Waneta Holding Ltd. (32.5% interest), and Fortis Inc. (51% interest) formed a new partnership called Waneta Expansion Limited Partnership (WELP) to own and develop the Waneta Expansion Project.

The Waneta Expansion Project is a $900 million hydroelectric development downstream from the Waneta Dam in Trail, BC. Construction of the 335 MW facility commenced October 1, 2010 and is expected to take 4.5 years to complete. CBT invested a total of $26.6 million in the Waneta Expansion Project in 2010/11.

14. LONG-TERM DEBT

CBT's long-term debt is as follows:

	2011	2010
Power projects debt:		
Brilliant Dam bonds Series "A", "B", and "C",		
interest rates varying between 5.67% and 8.93%,		
maturing May 2026	$ 70,403	$ 72,737
Arrow Lakes bonds Series "A", bearing interest		
at 5.39%, maturing March 2015	22,385	27,224
Real estate debt:		
Mortgage loans, interest rates varying		
between 4.5% and 6.4%, maturing on different dates		
between April 2011 and September 2015	33,782	34,183
Loan from Columbia Power Corporation	16,409	16,253
	142,979	150,397
Less: Deferred debt issue costs	(1,420)	(2,113)
Less: Current portion of long-term debt	(42,182)	(23,919)
	$ 99,377	$ 124,365

(a) Brilliant Dam and Arrow Lakes Bonds

The Brilliant Dam Series "A" bonds bear interest at 8.93%, Series "B" bonds bear interest at 6.86%, and the Series "C" bonds bear interest at 5.67%. The bonds are redeemable by CBT 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 the Brilliant Dam assets and revenues.

The Arrow Lakes Series "A" bonds bear interest at 5.39%. The bonds are redeemable in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%. The bonds are secured on a limited recourse basis by charges against the Arrow Lakes Generating Station assets and revenues.

(b) Real Estate Debt

The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors' care facilities. The loans are repayable in equal monthly payments of principal and interest amortized over 25 years and are secured by first, fixed and floating charges over all the assets of the seniors' care facilities.

(c) Loan from Columbia Power Corporation

The loan from CPC to the Brilliant Expansion Power Corporation (BEPC), a jointly owned corporation, was to allow equity to be transferred from BEPC to another jointly owned corporation. No new monies were advanced in fiscal 2011 (fiscal 2010 - $5.5 million). The loan includes $684,000 of accrued interest at March 31, 2011 (fiscal 2010 - $528,000). This loan is expected to be paid shortly after year end.

(d) Guarantees by joint venturers

The joint venturers of the Columbia Village and Crest View Village joint ventures are jointly and severally liable for the full amount of the joint venture mortgages totalling $5.3 million. The joint venturers of the Castle Wood Village, Garden View Village, Crest View Village Expansion, Rocky Mountain Village, Joseph Creek Village, Lake View Village and Mountain Side Village joint ventures gave separate guarantees for 50% of the original mortgage proceeds totalling $28.5 million.

(e) Principal repayments

Scheduled principal repayments are estimated as follows:

2012	$	42,182
2013		3,632
2014		3,892
2015		4,170
2016		4,469
Thereafter		84,634
	$	142,979

15. RESTRICTED CONTRIBUTION

An agreement was reached in June, 2010, with BC Housing Management Commission (BC Housing) to provide a government grant to allow for subsidized suites at the Lake View Village. The Lake View Village is a senior's facility located in Nelson, BC, in which CBT has a 50% interest. Under this agreement, Lake View Village received a forgivable loan in the amount of $855,000 (CBT's share is 50%) which was applied directly to the existing mortgage on the property. The restricted contribution is being amortized over 25 years.

		2011		**2010**
Restricted contribution	$	427	$	-
Amortization		(17)		-
	$	410	$	-

16. NON-RECOURSE CREDIT FACILITY

Consistent with its agreements with its Bondholders, Brilliant Power Corporation (BPC) has established a $10 million credit facility. The facility shares the same security as the Bondholders. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

17. COMMITMENTS

(a) Power Projects Debt

Under its agreements with its Bondholders, Arrow Lakes Power Corporation (ALPC) and BPC have committed to keep the Arrow Lakes Generating Station and the Brilliant Dam in good operating condition and to affect all necessary repairs and replacements to the Arrow Lakes Generating Station and the Brilliant Dam in a manner that is consistent with good industry practice.

(b) CBT Office

CBT has entered into operating lease agreements for its office space with terms expiring at various dates in the future.

(c) Brilliant Expansion

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments during pre-construction, construction, post-construction and operations phases which are being actively managed by CBT and CPC.

(d) Private Placements

CBT has entered into various agreements to provide business loans under specified terms and conditions. As at March 31, 2011, the balance of committed financing, yet to be advanced, was $9.2 million.

(e) Waneta Expansion Limited Partnership

WELP will continue with the development of the Waneta Expansion Project over the next four years. CBT's proportionate share of project costs are estimated to be $115 million.

18. CONTINGENCIES

CBT's power projects operations and investment activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and financing covenants cannot currently be estimated.

CBT is contingently liable as a guarantor of its co-venturers' portion of certain real estate joint venture debt. As at March 31, 2011 the balance of the co-venturers' portion of the debt was $5.3 million (fiscal 2010 - $5.4 million).

CBT is contingently liable for its 50% portion of the forgivable loan received from BC Housing in June, 2010. Under the terms and conditions of the agreement, if the loan is defaulted within the first ten years, $855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2011, the balance of the forgivable loan was $855,000 (CBT's share is 50%).

19. NET ASSETS

Power Projects

Power projects investment capital is restricted by the Province's condition that its $276 million power projects contribution is to be used to finance the equity requirements of power projects.

20. RELATED PARTY TRANSACTIONS

CBT is related through common ownership to its joint ventures with CPC. CBT is also related through indirect common ownership to all Province of British Columbia ministries, agencies, Crown Corporations, and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to possess commercial substance and are consequently recorded at their exchange amount.

(a) Recoveries from Columbia Power Corporation and Joint Ventures

CBT provides CPC with information technology support and other contract services. CPC also rents a portion of the Columbia Basin Building owned by CBT. In addition, CBT charges the joint ventures for management services.

Payments received from CPC and joint ventures during 2010/11 are as follows:

	2011	2010
Information technology systems	$ 410	$ 413
Management/contract services	229	309
Rental expenses	136	137
	$ 775	$ 859

(b) Power Projects

CBT's portion of the related party transactions and balances for power projects are summarized as follows:

	2011	2010
Payments to CPC:		
Power projects assets	$ 117	$ 41
Accounts payable and accrued liabilities	1,141	646
Power projects revenues	2,152	3,826
	3,410	4,513
Payments to Province of BC:		
Accrued interest and other assets	2,393	2,167
Power projects revenues	5,273	4,489
	7,666	6,656
Payments to BC Hydro:		
Accrued interest and other assets	1,440	1,500
Accounts payable and accrued liabilities	10	-
Power projects revenues	30,911	27,525
	32,361	29,025
Payments to BC Transmission Corporation:		
Accrued interest and other assets	-	30
Power projects revenues	8	61
	8	91
Payments to Powerex:		
Accrued interest and other assets	20	170
Power projects revenues	1,291	2,180
	1,311	2,350
	$ 44,756	$ 42,635

21. DELIVERY OF BENEFITS

Delivery of Benefits refers to activities that CBT undertakes in the region as it seeks to support efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Columbia Basin. Delivery of Benefits disbursements directly benefit the public of the Columbia Basin, and the disbursements vary in purpose depending on how CBT can best support communities.

In addition to disbursing $11.2 million in 2010/11, CBT has an additional $3.7 million in outstanding financial commitments through Delivery of Benefits programs and initiatives at March 31, 2011. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

CBT has also entered into a number of multi-year commitments for program delivery over the next three years. As at March 31, 2011, CBT has $5.1 million committed for 2011/12 funding, $4.7 million for 2012/13 funding, and $3.5 million for 2013/14 funding.

22. PUBLIC SERVICE PENSION PLAN

Effective January 1, 2011, CBT and its employees began contributing to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plan 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 (March 31, 2008) determined the PSPP had a surplus. Contributions to the PSPP by CBT in 2010/11 were $45,000 (fiscal 2010 - nil). No provision, other than CBT's required employer pension contributions, has been made in the accounts of CBT for this liability.

23. FINANCIAL INSTRUMENTS

(a) Designation and valuation of Financial Instruments

The carrying values of CBT's financial instruments compared to their fair values are as follows:

The fair values of cash, accrued interest and other assets, and accounts payable and accrued liabilities approximate their carrying values due to the short term maturity of these instruments.

The fair values of income securities and market securities is determined by using quoted market values.

Business loans are measured at their outstanding principal amounts on an amortized cost basis. The fair value of business loans is determined by reducing the carrying amount of the loan to its estimated realizable amount.

The Promissory Note has been discounted, using an effective interest rate to reflect its current present value at March 31, 2011.

Long-term debt is measured at amortized cost using the effective interest method. Fair values approximate their carrying value since their interest rates are comparable to market rates.

(b) Risks

Exposure to interest rate risk, credit risk, liquidity risk and market risk occur in the normal course of CBT's operations.

Interest rate risk

CBT's long-term liabilities bear interest at fixed rates and cash, incomes securities and business loans are subject to variable interest rates. CBT is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities.

Credit risk

CBT extends credit within its business loans. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan which mitigates CBT's risk. CBT's exposure to credit risk is as indicated by the carrying amount of its business loans.

Liquidity risk

CBT monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. CBT considers that it has sufficient liquidity to meet its financial obligations.

Market risk

CBT is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject CBT to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

24. CAPITAL MANAGEMENT

CBT's capital management objectives are to generate predictable, sustainable and appreciating income streams to fund Delivery of Benefits programs and initiatives and to maintain CBT's ability to fund its operational needs. CBT's capital management is reviewed annually to ensure sufficient funds are available to meet its financial obligations and operational needs.

CBT's capital consists of net assets plus total debt.

	2011	2010
Total long-term debt	$ 141,559	$ 148,284
Net assets	389,939	388,857
	$ 531,498	$ 537,141

25. SUBSEQUENT EVENTS

On April 5, 2011, Arrow Lakes Power Corporation (ALPC), a corporation owned 50/50 by CBT and CPC, exercised its option to redeem its Series A Bonds. The redemption date was May 5, 2011 and the total redemption price was $43.8 million which includes interest and a redemption premium of $2.8 million.

On the same date, ALPC issued $350 million principal amount of Series B Bonds with a coupon rate of 5.52% which is due April 5, 2041. The proceeds from the Series B Bond issue will be used to pay for amounts owing on the Series A Bond redemption.

The above transactions will impact ALPC's financial results as follows:

- The debt associated with the Series A Bonds will be redeemed.
- The current portion of the debt associated with the Series B Bonds will be included in current liabilities.
- The long-term portion of the debt associated with the Series B Bonds will be included in long-term liabilities.
- The net proceeds of the Series B Bond issue will be distributed to the owners, CPC and CBT.

The Series B Bonds are secured on a limited recourse basis by charges against the Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverages.

At the time of distribution of funds, CBT injected $5 million into its market securities portfolio and $90 million into short-term investments. CBT also entered into a $20 million loan agreement with CPC bearing interest at 5.67% per annum. Interest only is payable until 2016 after which the loan will be repayable in 50 semi-annual payments of principal and interest.

26. COMPARATIVE FIGURES

Certain 2010 comparative figures have been reclassified to conform to the current year's presentation.

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