

FOCUSING ON COMMUNITIES



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Dear Minister Hansen:

Over the last year Columbia Basin Trust took a number of steps to support the efforts of the people of the Columbia Basin in the most meaningful ways possible. As the Columbia Basin region continues to evolve, Columbia Basin Trust (CBT) must evolve with it, and we have a responsibility to ensure that our programs, initiatives, and resources truly benefit Basin residents.

We chose “Focusing on Communities” as the theme for our Annual Report this year because more than ever, we are engaged with the many communities of the Basin, looking for ways we can help them achieve their goals. Our Basin is home to a number of diverse communities, from our unique towns and villages to groups of residents who share common interests and concerns. Our role is to help each of these communities grow stronger, and to work together.



While we did not achieve our targeted return on our investments in real estate, loans and securities of 6%, we did see our revenues from our investments grow significantly, and were able to meet our target for operational efficiency. For the first time, we were able to distribute over \$5 million in the Columbia Basin region. We did this in part by supporting a number of long-running programs that serve a variety of communities in the Basin. Several of our program partners will now receive funding for more than one year, and this means they will be able to offer consistent and high quality programs to residents. Partnering with regional organizations is part of our commitment to developing the capacity of groups within the Basin. We will be evaluating our programs on a scheduled basis. In the coming year we look forward to reviewing three programs, and considering how we can improve them for the benefit of Basin residents.

“We are engaged with the many communities of this Basin, looking for ways we can help them achieve their goals.”

Over the past year, our efforts at engaging effectively with the people of the Basin have been incredibly diverse. We have provided information to Basin residents on the current and expected impacts of climate change in the region. We have helped a coalition of Basin youth centres come together to address their common issues, and ensure the youth of this region are appropriately supported as active community members. We are developing accessible and relevant information on the social, economic, and environmental state of the Basin. These are just a few of the ways we are involved in the everyday issues of our Basin communities. We also have been setting priorities as an organization, in order to ensure that we have resources available to address critical Basin issues.

This past year also saw the retirement of two key individuals from CBT who were energetic advocates for the Basin. On behalf of the Board of Directors, I would like to acknowledge the many contributions of Josh Smienk who retired this March after twelve years as Chair and Board member. Josh was instrumental in the formation of this organization, and his leadership since then has been invaluable. His efforts mean that future generations of residents will see some benefits created by the Columbia River Treaty returned to this region.

I would also like to take this opportunity to thank outgoing director Dieter Bogs for his years of service on the CBT Board. Dieter was one of the founding Board members who helped create CBT. Throughout his years on the Board, he provided insight and advice on a number of issues.

In March 2007, the Province approved the appointment of two new individuals to the Board. They are Paul Peterson, from the Regional District of Central Kootenay and Bill Trehwella, from the Regional District of Kootenay Boundary. I look forward to working with each of them.

The 2006/07 Columbia Basin Trust Annual Report was prepared by staff 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.

The information reflects the actual performance of Columbia Basin Trust for the year ended March 31, 2007 in relation to the 2006/07-2008/09 Service Plan. The measures presented are consistent with the Columbia Basin Trust's mission and goals, and focus on aspects critical to the performance of CBT. The Board is responsible for ensuring internal controls are in place for the accurate and timely measurement of performance information.

All significant decisions, events and identified risks, as of May 31, 2007, have been considered in preparing the Annual Report. It contains estimates and interpretive information that represent the best judgment of management. Any changes in goals, strategies, measures or targets made since the 2006/07-2008/09 Service Plan was released and any significant limitations in the reliability of data are identified.



Garry Merkel, Chair

“For the first time, we were able to distribute
over \$5 million in the Columbia Basin region.”



Dear Basin Residents:

The 2006/07 year for CBT has presented both unique challenges and rich rewards. In response to feedback we have received from Basin residents, and in recognition of our accountability to the public, we have refocused our efforts on the communities of this Basin, and are making sure our work supports them. We are always learning about how we can best meet the needs of the people of the Basin, and are committed to doing the best job we can for them.

We have a broad mandate – social, economic, and environmental – and limited resources in terms of funding and staff. We recognized a need to set strategic priorities as an organization, so that we could focus our work on critical areas and measure our progress against our priorities. We have therefore drafted three-year strategic priorities, and are currently reviewing them with Basin residents. Once these priorities have been finalized, we will add them to the document that guides all of our work in the Basin, the Columbia Basin Management Plan.



Setting three-year priorities is only one part of responding to the critical issues faced by Basin communities. The next step is ensuring that our programs and initiatives link back to these priorities. We have advisory committees of Basin residents, representing the social, economic, and environmental communities of this region. We turn to them for advice on how to address our priorities through our programs and initiatives. These advisory committees are made up of dedicated and energetic volunteers, and I wish to thank them for their efforts over the past year.

We also have staff working in towns throughout this region. In engaging with communities, we look for the best ways we can help them achieve their objectives. Sometimes this means we fund projects like the purchase of a community building in Proctor so that local residents have a great facility to use. Sometimes it means we make up to date information about the region available to Basin residents so they have a strong basis on which to make community decisions. We also partner with existing regional organizations, which have their own strong community networks. One example is the Columbia Basin Alliance for Literacy, which offers a variety of programs aimed at addressing specific literacy issues in communities. Over the next year, we will continue to increase our presence in the Basin.

In the fall, CBT will be hosting a public symposium, an opportunity for all the people of our area to come together as a Basin community. CBT strengthens communities by providing information, convening people around key issues, encouraging collaboration and supporting planning. The symposium is one way to do this, and we look forward to discussing the issue of sustainable growth in Basin communities at that event.

Our participation in Basin communities is supported by the financial returns created through our investments. The Arrow Lakes Generating Station has now been operational for almost a year, since repairs were completed to the approach channel, and earnings from our power projects increased as a

result. Construction on the Brilliant Expansion continued in 2006/07, and we look forward to its completion this summer. We expect to see even higher returns from our power projects next year as a result. We continue to support the seniors' community within the Basin through our investments in congregate care facilities and we have now invested in 585 congregate care suites throughout the region. Next year, we expect to provide \$7 million worth of programs and initiatives with the returns from our investments.

I wish to offer my thanks to all of my colleagues at CBT, including our Board and staff, who are so committed to this organization. I wish to also thank the people of the Basin for continuing to work with us. Their efforts benefit the many communities in the region we all call home.



Neil Muth, CEO

“Over the next year, we will continue
to increase our presence in the Basin.”



Columbia Basin Trust encourages growth and self-sufficiency, and promotes social, economic, and environmental well-being in the southeast corner of British Columbia. The region's boundaries are generally defined by those watersheds which flow into the Columbia River in Canada and the areas within BC most affected by the Columbia River Treaty, as set out in the *Columbia Basin Trust Act*.

Endowments provided by the Province of B.C. to CBT represent a return of some of the financial benefits that result from the Treaty to the region most affected.

Using endowments provided by the Province of B.C., CBT makes investments and uses the income earned from its investments to provide benefits to the people of the Basin through a variety of programs, initiatives and resources. CBT was established when the Legislature passed the *Columbia Basin Trust Act* in 1995.

Our Vision

The Columbia Basin is a place where social, environmental, and economic well-being is fostered, where collaborative relationships and partnerships exist among stakeholders and form the basis for social and economic activities, and where the economy is diverse, resilient and energized.

Our Mission

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

Our Values¹

The values that govern the management and operations of CBT are:

Inclusiveness

- CBT includes the people of the Columbia Basin in planning and decision-making.

Collaboration

- CBT works with the public and other agencies and organizations.

Respect for diversity

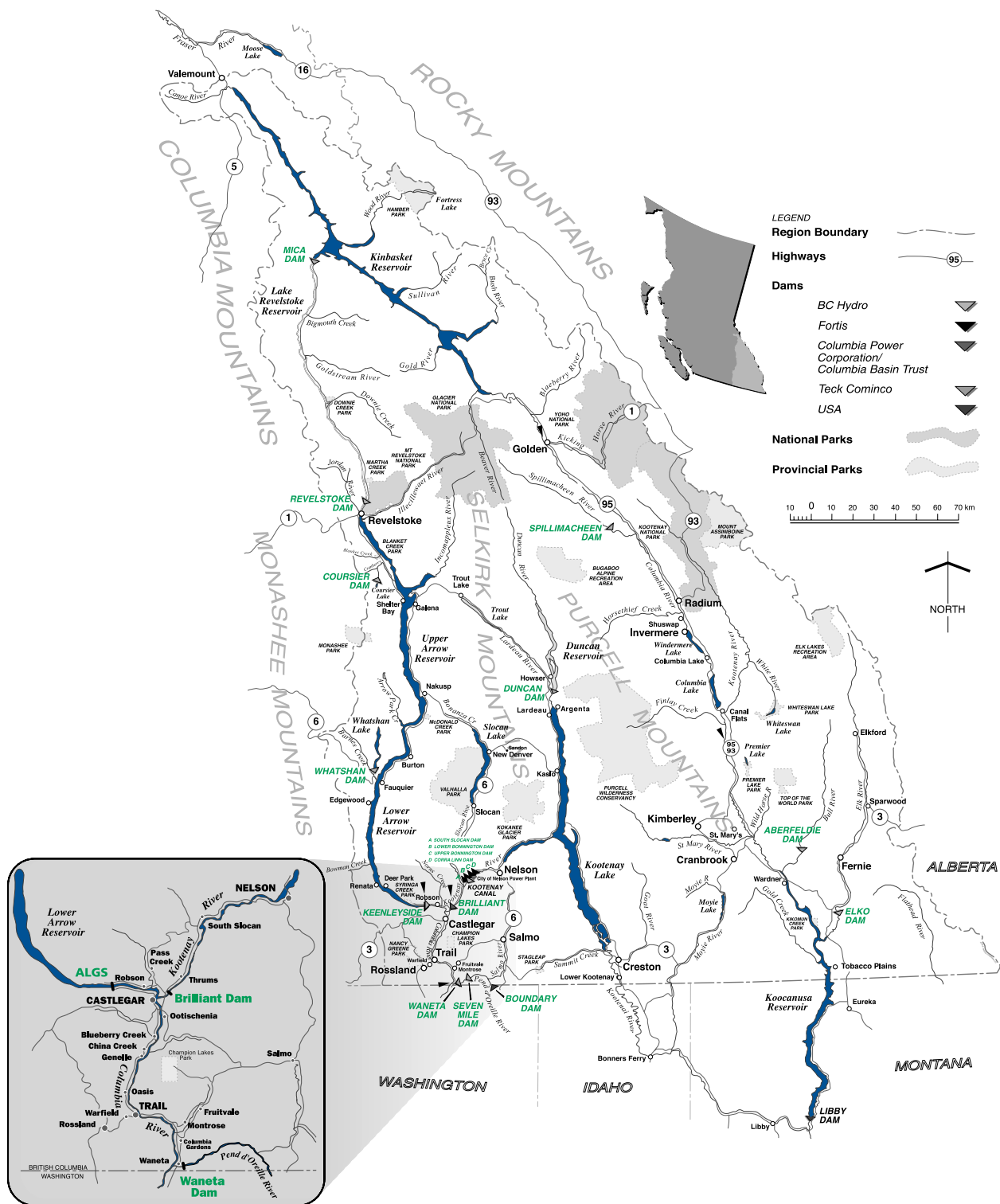
- CBT respects the history and diversity of the people and communities of the Columbia Basin.

Responsibility

- CBT takes into account the Columbia Basin residents' economic, environmental, social and sustainability values. CBT strives to openly and explicitly balance maximizing benefits and minimizing negative impacts.

¹ CBT recently completed a review of these core values and expects to update them in 2007/08.

ORGANIZATION OVERVIEW





FOCUSING ON PARTNERSHIPS

Columbia Basin Trust partners with many organizations in the Basin in delivering and administering programs for residents. Over the past year, CBT has sought to strengthen these partnerships, in recognition of their importance to communities.

This spring for the first time ever, CBT committed to providing multi-year funding to a number of its partners. Traditionally, CBT has made annual commitments to partners. This created some uncertainty and challenges for partner organizations in planning for the long-term and providing the best possible services to the public.

Now a number of partners have received a commitment from CBT to fund these important programs for the next two or three years. Programs such as the free counselling available for small and medium sized businesses or literacy services offered throughout the region are now better able to serve Basin communities.

DELIVERY OF BENEFITS – COLLABORATING WITH BASIN COMMUNITIES

The range of CBT Delivery of Benefits activities fosters the social, environmental, and economic well-being of Columbia Basin communities, and varies in scope, cost and objective. CBT develops these activities in consultation with advisory committees comprised of Columbia Basin residents, who help identify regional priorities, as well as priorities related to specific issues.

In accordance with the *Columbia Basin Trust Act*, the work of CBT in the region does not relieve any level of government of its obligations within the Columbia Basin.

For a full description of CBT programs and initiatives, visit www.cbt.org.

Working with Community Partners

CBT works with a number of partners to offer a range of programs:

- Partnering with each of the five Regional Districts in the Columbia Basin and the Ktunaxa Nation Council to support projects that are identified as priorities within their communities through the Community Initiatives Program.
- Supporting arts, culture and heritage projects throughout the Basin through the Columbia Kootenay Cultural Alliance.
- Support for Environmental Initiatives in partnerships with The Land Conservancy of BC, Columbia Kootenay Fisheries Renewal Partnership, and the Columbia Basin Environmental Education Network.
- Providing free and expert counselling to small and medium businesses throughout the Basin through the Basin Business Advocates Program.
- Sponsoring tuition and course fees for short-term training that helps people get jobs through the Training Fee Support Program.
- Helping address literacy issues in Basin communities through the Columbia Basin Alliance for Literacy.





FOCUSING ON YOUTH

Working with Columbia Basin youth is a priority for CBT. Ongoing youth participation helps CBT create a legacy of well-being for future generations of Basin residents.

One of CBT's advisory committees is made up of 12 young people from the Basin. The committee helps identify key youth issues in the region and ways CBT can support youth in addressing those issues. CBT empowers the committee by giving it a meaningful role and decision-making powers. The committee's goals include developing the skills and leadership ability within each youth member.

Over the past year, the advisory committee has approved many youth-driven, youth-supported and youth-involved projects through its granting program. Applicants to this program are assisted by CBT in the development of their project applications.

Another youth initiative at CBT is our media program, which includes a magazine and a website where content comes primarily from youth of the region. In the past year, CBT evaluated the program, and will be implementing its recommendations, ensuring the media program is an effective forum for youth issues and concerns.

CBT also seeks to aid existing Basin organizations that support youth development. Over the past year, CBT started working with youth centres throughout the Basin, and will provide ongoing support to a coalition of youth centres.

The advisory committee has also worked on identifying longer term goals and objectives related to youth issues, and this guidance is captured in a three-year strategic plan. This guidance will help CBT find ways to empower young people to be engaged with their communities.

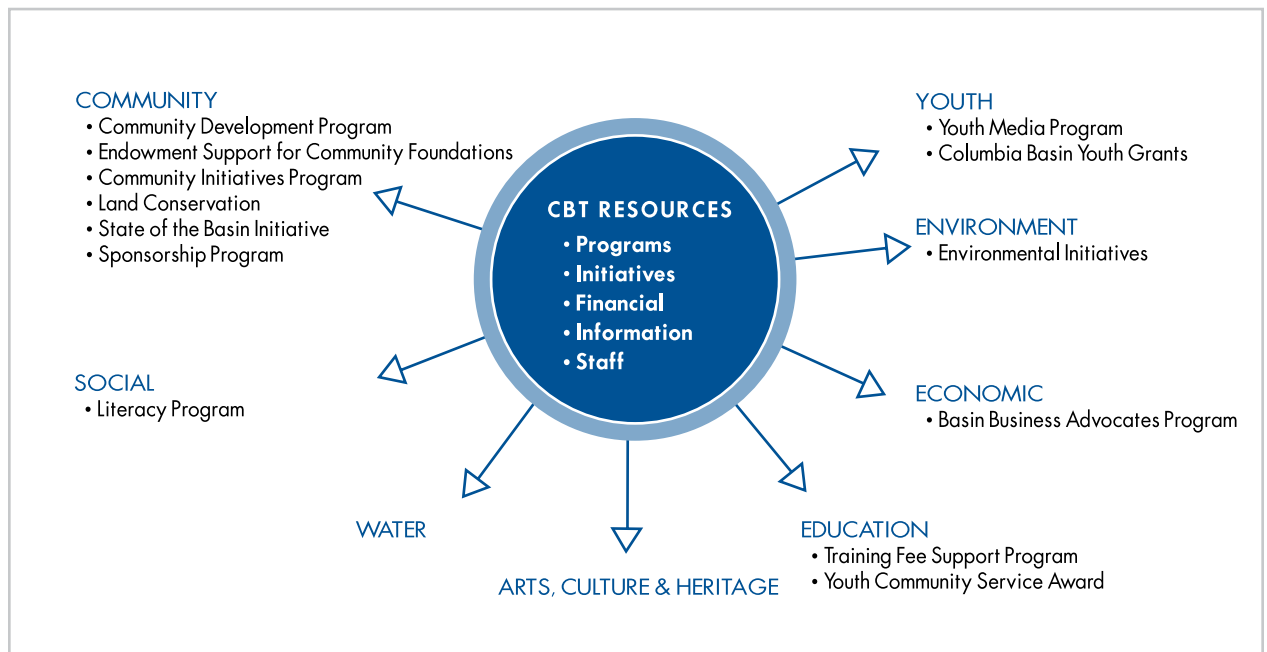
Working in Basin Communities

CBT works with community members on issues that are important to them, and has a number of programs that support this work:

- Contributing to social, economic, and environmental projects that demonstrate strong community support, build on a community's strengths and encourage growth through the Community Development Program.
- Ensuring long-term water quality and quantity issues in the Columbia Basin region are addressed according to residents' values and views.
- Working with the youth community in the Basin by supporting youth-driven and youth-selected projects, and creating a forum for Columbia Basin youth to connect with one another and exchange information about issues through a magazine and website.
- Protecting ecologically-sensitive land and maintaining it such that it reflects a range of community values through the Land Conservation Initiative.
- Funding for post-secondary education for high school and college students who volunteer in their communities.

"CBT works with community members on issues that are important to them and has a number of programs that support this work."

SUPPORTING BASIN COMMUNITIES





FOCUSING ON WATER ISSUES

Water is a key aspect of the CBT mandate, identified as a priority during CBT's formation. Through the Water Initiatives Program, CBT is committed to working with Basin residents to improve their understanding and involvement in water.

The Columbia Basin Trust works with Basin residents to:

- Increase understanding, and build collective wisdom around water and watershed issues in the Basin,
- Act as a facilitator and convener on key water-related issues, and
- Increase residents' opportunity for involvement and influence in water management.

Over the past year, CBT participated in many water-related activities in communities throughout the Basin. These included:

- Providing terrain models of the Columbia Basin to various communities for educational purposes,
- Working with a variety of partners to provide water-related educational material to schoolchildren,
- Hosting a water conservation symposium for Basin communities,
- Initiating a climate change education awareness campaign and publishing a report on the impacts of climate change in the region,
- Preparing a national public service announcement on the importance of water to the Basin, and
- Hosting water-related educational panels and workshops in communities throughout the Basin.

Working with the public to ensure long-term water quality and quantity issues in the region are addressed according to residents' values and views will remain an important focus for CBT in the coming months.

INVESTMENTS – PROFITS RETURNED TO BASIN COMMUNITIES

The CBT Investment Program generates the returns that fund Delivery of Benefits programs and initiatives. In addition to creating financial benefits for the organization, the investments in the CBT portfolio promote social, economic, and environmental well-being in the Columbia Basin. For example, the investments provide high quality care for seniors, create jobs in the region, generate clean, green power, and demonstrate CBT's confidence in local initiatives.

2006/07 SNAPSHOT

(in thousands)	Amount	% of Investments
Power Projects		
Capital Assets	\$ 363,265	80%
Deposit Balance	20,045	4%
Non-Power Investments		
Real Estate	28,372	6%
Income Securities	31,849	7%
Business Loans	10,559	2%
Deposit Balance	3,271	1%
	\$ 457,361	100%

Power Projects

CBT is a fifty-fifty partner with Columbia Power Corporation (CPC) on four major power projects in the Columbia Basin. CPC manages the projects on behalf of both partners and the net income generated through the sale of hydroelectricity from the projects is split equally between the partners. CBT's share of the income from power sales amounted to just over \$14.5 million in 2006/07. CBT and CPC's operational power projects are the Arrow Lakes Generating Station on the Columbia River at the Hugh Keenleyside Dam and the Brilliant Dam on the Kootenay River (both near Castlegar). The partners are also constructing the Brilliant Expansion project, near the Brilliant Dam, which consists of a 120 MW power generation facility. This project is scheduled for commercial operation June 2007. The partners are continuing to work through the project evaluation for the fourth major power project - the Waneta Expansion on the Pend d'Oreille River near Trail. This expansion is currently in the environmental assessment stage.

Real Estate

CBT is a fifty-fifty partner in six housing facilities that provide congregate care for seniors in the Columbia Basin. Located in Castlegar, Cranbrook, Invermere, Fernie, Creston, and Kimberley the facilities provide 585 living suites and offer a range of care to accommodate the various needs of Basin seniors.

Commercial Loans

CBT participates in lending syndicates for commercial loans with Columbia Basin credit unions. Through these investments, CBT earns a return on money invested in Basin businesses and advances economic well-being and self-sufficiency.

Income Securities

A portion of the CBT investment portfolio rests in short-term income securities which earn a guaranteed rate of return.



FOCUSING ON SENIORS

With 74 suites, Garden View Village in Kimberley is the most recent CBT investment in seniors care facilities in the Columbia Basin. Construction on the Garden View Village began this year, and the facility will open its doors later in summer 2007. Housing and care for seniors who wish to continue living in Kimberley, close to their families and friends, will be offered.

Like other CBT investments in seniors care facilities, Garden View Village reflects a community way of life in its design and services for residents. The layout and atmosphere of the village allows seniors to enjoy their independence. A strong sense of community is also created through planned group activities and common dining and social areas where residents can gather. For residents who require help with day-to-day activities, the village includes 13 assisted living suites.

Garden View Village also includes accommodation for low-income seniors. Provided in partnership with BC Housing, a total of 21 units at the facility are available for these individuals.

This investment will bring positive financial returns to CBT, and present new living opportunities and alternatives for the seniors community in Kimberley.

ALIGNMENT WITH PROVINCIAL STRATEGIC PLAN

CBT investments and its social, economic, and environmental programs and initiatives are helping to build a strong and lasting legacy for the communities within the Columbia Basin and the Province of British Columbia. In 2006/07, CBT activities in the Columbia Basin region were in line with the goals set by the Provincial Government.

Provincial Goal #1 - Make British Columbia the best educated, most literate jurisdiction in North America.

CBT Activities - CBT supports literacy throughout the Columbia Basin and provides tuition for short-term courses that lead to employment. CBT also offers service awards for graduating high school students, as well as mature students attending colleges in the Basin. CBT was a major contributor to the new public library facility in Cranbrook that created a larger, more accessible venue in the Basin's largest community. CBT also provided support to two other public libraries in Elkford and Nakusp.

Provincial Goal #2 - Lead the way in North America in healthy living and physical fitness.

CBT Activities - In the last year, CBT sponsored a number of upgrades to existing recreational facilities and parks in the region. CBT provided support to many recreation and sport initiatives throughout the Basin, including an initiative that offers accessible and affordable opportunities for children and youth to participate in physical activity.

Provincial Goal #3 - Build the best system of support in Canada for persons with special needs, disabilities, children at risk and seniors.

CBT Activities - CBT furthered its investments in seniors housing projects, including a new investment in a Kimberley facility that will provide accommodation for low-income seniors. CBT also contributed to a program aimed at supporting people with developmental disabilities.



Provincial Goal #4 - Lead the world in sustainable management, with the best air and water quality, and best fisheries management, bar none.

CBT Activities - The CBT and CPC power projects produce green power through the use of a renewable resource, in addition to improving fish habitat downstream. CBT also supports a number of significant environmental projects in the region. Many of these initiatives focus on educating younger generations about sustainable resources. In the last year, CBT also sponsored a major water conservation symposium.

Provincial Goal #5 - Create more jobs per capita than anywhere else in Canada.

CBT Activities - A number of CBT investments create jobs in the Columbia Basin, whether during construction of a project like the Brilliant Expansion or during the operation of seniors housing projects. Many other initiatives and projects that CBT supports offer employment to Basin residents on a smaller scale. CBT also continues to fund free one-on-one counselling for small and medium businesses which are important employers within the Basin communities.

Reporting Relationship with the Province of BC

CBT is a Crown corporation subject to the *Budget Transparency and Accountability Act* and is within the Minister of Economic Development's portfolio.

In the summer of 2006, CBT and the Minister of Economic Development agreed to the Shareholder's Letter of Expectations, which confirmed the roles and responsibilities of both parties. The activities of CBT have been consistent with the Shareholder's Letter of Expectations. To view the Shareholder's Letter of Expectations, visit www.cbt.org.

This report on performance compares CBT's results for the 2006/07 year to the goals, strategies and performance expectations described in our 2006/07 – 2008/09 Service Plan.

GOALS	STRATEGIES ²	MEASURES
Investments - Generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses. ³	Investment Guidelines Investments are made in accordance with Board-approved policy.	Nominal annual return on non-power investments
	Risk Parameters Investments will be made and managed prudently in recognition of inherent risks, including: <ul style="list-style-type: none"> • operating risks, • financial risks, and • liquidity risk. 	
Delivery of Benefits - Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.	CBT will ensure information is available on its programs to Columbia Basin residents through staff and the website, www.cbt.org .	Benefits delivered by projects/ programs
	CBT will evaluate its Delivery of Benefits programs, including developing ways to measure the impacts of its programs, and seek feedback from Columbia Basin residents on its programs.	
	CBT will build relationships with individuals, communities, groups and organizations in the Columbia Basin with similar aims.	
	CBT will refine the application, decision-making and reporting processes for its programs.	
Corporate - Support and enable the effective management of the Investments Program and Delivery of Benefits	CBT will refine its annual planning processes and set strategic goals and priorities for the organization, including ensuring that it has the corporate capacity to meet the needs of the Investments and Delivery of Benefits programs.	Corporate operations as a percentage of revenues.
	CBT will review its corporate service areas and overall operations to ensure they are conducted efficiently.	
	CBT will review and refine human resources policies and practices, including job descriptions, performance reviews, succession planning and hiring practices.	

² These strategies were updated (for the next three fiscal years) in the 2007/08 – 2009/10 Service Plan. See Appendix 1 for the goals, strategies, measures and targets from this Service Plan.

³ The goal was changed from previous Service Plans to clearly link the primary function of the Investment Program (generation of income) to Delivery of Benefits in the Basin.

DELIVERY OF BENEFITS

In 2006/07, CBT returned over \$5 million in direct funding benefits to Basin communities, by providing a range of programs and initiatives.

This past year, CBT began the process of evaluating one of its longest running programs, Community Initiatives, and expects to complete the evaluation over the summer. Although this process was delayed due to an unexpected shortfall in staffing and a need to address other organizational priorities, completing the evaluation over the summer will provide CBT with enough time to review the results of the evaluation and recommendations before the current ten year funding commitment to the program expires on March 31, 2008. To ensure programs are reviewed on a consistent basis in the future, CBT has developed an evaluation schedule and anticipates evaluating two additional programs in 2007/08. The results of these evaluations give CBT meaningful information about the impacts of the programs in Basin communities and their overall effectiveness.

“CBT returned over \$5 million in benefits to Basin communities, by providing a range of programs and initiatives.”

In 2006/07, CBT continued to develop a prototype indicator report on the social, economic, and environmental state of the Basin and these indicators will be useful tools that report on key trends and promote dialogue amongst communities, which will

improve decision-making and facilitate action. Eventually, these indicators may help CBT understand how its social, economic, and environmental programs and initiatives have impacted the region, and may help guide future decision-making.

Over the past year, a working group composed of CBT advisory committee members has provided advice on one draft reporting model and indicators. CBT has also worked with technical advisors from

PAST, PRESENT, FUTURE

Measure	Results			Targets		
	2004/05	2005/06	2006/07	2006/07	2007/08	2008/09
Benefits delivered by project and program	No historical results, new measure established in February 2006	Three programs evaluated	One program evaluation commenced	One program evaluated	At least one program evaluated	At least one program evaluated
	No historical results, new measure established in February 2006	CBT defined the next steps for its state of the Columbia Basin work	Development of prototype indicator report (on the social, economic and environmental state of the Columbia Basin) continued	Continue development of prototype indicator report (on the social, economic and environmental state of the Columbia Basin) ⁴	Public review of prototype indicator report, review and revise where necessary	Set target in 2007/08

⁴ This target was revised in the 2007/08 - 2009/10 Service Plan to clarify that the main focus of this work is to develop a prototype indicator report.

similar projects. CBT is currently seeking public input on the State of the Basin model. Revisions will then be made, and CBT expects to complete the prototype in 2007/08.

The measure and targets for Delivery of Benefits provide CBT with an indication of how it is fulfilling its goal of strengthening the social, economic, and environmental well-being of the Basin. The measure and targets may be amended after CBT finalizes its strategic priorities for the next three years and its desired outcomes.

CBT uses internal data in the measurement of its Delivery of Benefits performance. Management reports to the Board on the status of major Delivery of Benefits initiatives every two months.

INVESTMENTS

The goal of the Investment Program is to generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefit obligations and corporate operating expenses. This overarching goal applies to the entire investment portfolio, including power assets, commercial loans, real estate, and income securities.

Predictable: CBT should be able to forecast financial returns with a relatively high degree of certainty.

Sustainable: Investments will be managed such that variability of returns is minimized.

Appreciating: The income generated from investments will grow over time.

To fulfill this goal, CBT has prepared a draft Statement of Investment Policies and Procedures (SIPP) to guide and govern the investment process. The draft SIPP will be reviewed by a panel of financial industry professionals at the final stage of technical assessment. The SIPP will also be available for review and comment by Basin residents in the summer of 2007, and then be submitted to the CBT Board for adoption.

Power Projects

Columbia Power Corporation has calculated a return on equity of 4.7% for 2006/07. This return includes the results of operations of 3.3%, as well as the benefit of partial recovery of costs for repairs to the intake channel of the Arrow Lakes Generating Station, 1.4%. Although the overall return is a marked improvement from 2005/06, it remains relatively low as a result of development and expenditures on the Brilliant Expansion project. With full operations restored at the Arrow Lakes Generating Station and the Brilliant Expansion nearing operation, CBT management is optimistic the return on equity will continue to improve over the coming year.

“The goal of the CBT Investment Program is to generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefit obligations and corporate operating expenses.”

Arrow Lakes Generating Station

Commercial operation of the Arrow Lakes Generating Station was fully restored in May 2006 after the successful completion of repairs to the concrete lining of the intake channel. Power sales revenue to CBT of \$5.2 million was consistent with forecast, and is expected to improve further in 2007/08 as a result of a full year of operations.

In addition to power sales revenue, CBT received \$7.2 million from the project insurer to partially compensate for the cost of repairs (both permanent and temporary) as well as for lost revenue due to the cessation of operations for repairs. CBT and CPC are now working in cooperation with the project insurer to pursue remedies that exist under design-build contracts and construction warranties.

Brilliant Dam

The Brilliant Dam continued to perform as forecast and contributed \$5.1 million to the power revenue of CBT. The majority of power is sold to Fortis BC under the terms of a 60 year contract however, 6% of the energy is sold under a short-term agreement with Powerex, a subsidiary of BC Hydro. This approach to power sales allows the project owners to benefit from short-term price increases, while also providing long-term certainty for the majority of the energy.

Brilliant Expansion

Construction activity at the Brilliant Expansion is nearing completion with commercial operation scheduled for the summer of 2007, some ten months later than originally planned. Although development costs incurred to date are within budget, the contractor has submitted claims as of March 31, 2007. CPC and CBT are conducting a review of these claims. The final impact of these claims cannot be reliably estimated at this time.

Approximately 90% of power generated by the Expansion has been sold to BC Hydro for a 20-year term. The remaining 10% is available for sale on the open power market.

Waneta Expansion

Considerable pre-development work continues on the Waneta Expansion project. The environmental review process with provincial and federal agencies is well advanced and the assessment of economic feasibility is ongoing. Subject to satisfactory outcomes of these processes, project development would reach the stage of a design-build competition where contractor/engineering teams are invited to submit price proposals for construction. This competition is tentatively scheduled to commence in the summer of 2007.

Non-Power Investments

The non-power investment portfolio delivered a return on investment of 4.5%. Although below the targeted return of 6%, the performance continues to trend favourably and CBT is optimistic this will continue into the coming year.

The absence of loan losses in the commercial loan portfolio had a favourable impact on return. However, the relatively modest performance of income securities tempered the overall results. Staff moni-

PAST, PRESENT, FUTURE

Measure	Results			Targets		
	2004/05	2005/06	2006/07	2006/07	2007/08	2008/09
Nominal annual return on non-power investments	(0.6%)	2.9%	4.5% ⁵	6%	6%	6%

⁵ This rate of return calculation is based on investment income reported in the statement of operations less CBT overhead management expenses, and is consistent with the previous calculations.

tors financial performance quarterly and in early 2006/07 identified the return on securities to be below that required to satisfy the 6% target. To address this shortfall, staff have included a framework in the draft Statement of Investment Policies and Procedures that is expected to generate greater return on these investments while maintaining an acceptable level of risk.

Real Estate

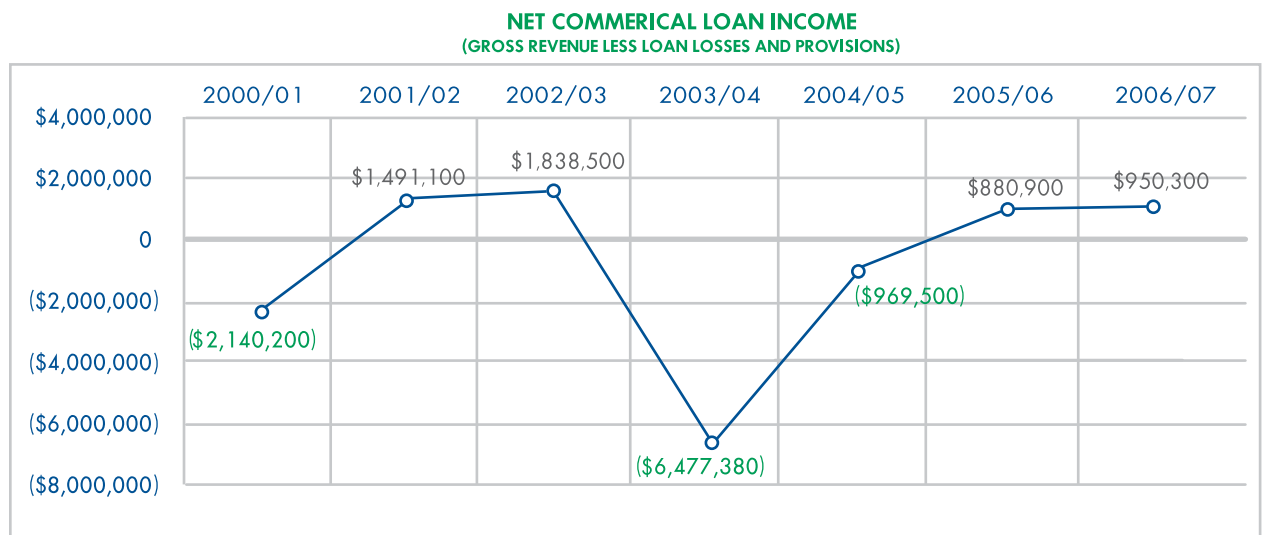
Over the course of 2006/07 CBT substantially completed an additional 176 seniors' living suites by way of new construction and additions to existing facilities. This raises the total number of congregate care units in the real estate portfolio to 585, with facilities in six different Basin communities.

Commercial Loans

Income from commercial loans fell to \$878,000 from \$1.5 million in 2005/06. Part of the reduction is due to normal course repayment of existing investments, with the remainder attributable to extraordinary income received in 2005/06 that is not expected to recur in the future.

Significant efforts have been made to reduce the risk of the commercial loan portfolio and the result has been an elimination of specific loan losses and provisions for 2006/07. Although overall income fell for the year, when the favourable trend in loan losses is taken into account, CBT experienced a material improvement in the financial performance of the portfolio.

CBT investment staff is actively engaging with financial industry professionals, accounting and legal advisors, as well as general industry entrepreneurs who will assist CBT in originating quality, regional investment opportunities.



Income Securities

Cash resources are maintained in short-term income generating securities until such time as they are required for regional investment opportunities, Delivery of Benefit obligations, or corporate operating expenses. At year end the average rate of return on these instruments was approximately 4.4%. Although the return compares favourably to other short-term investment options, opportunity exists to improve the performance through a more active management strategy.

CORPORATE OPERATIONS

Through its corporate operations, CBT aims to effectively manage its Investment and Delivery of Benefits obligations. Corporate operating expenses include all operating expenses under direct control of CBT.

Expenses incurred related to the Delivery of Benefits include staffing costs. Many CBT staff directly work on various programs and initiatives in communities, and their work enables CBT to engage with a range of community members on issues. This approach is consistent with CBT's principle of providing different forms of support to communities, in addition to direct funding.

PAST, PRESENT, FUTURE

Measure	Results			Targets		
	2004/05	2005/06	2006/07	2006/07	2007/08	2008/09
Corporate operations as a percentage of revenues (net of recoveries) ⁶	41%	29%	21%	25%	25%	22%

The Province is providing \$2 million per year for CBT operating costs until 2010/11.

In 2006/07, CBT exceeded its target as corporate operations as a percentage of revenues were at 21%. This decline is a result of total revenues being 20% higher than forecasted. Power project income from Arrow Lakes Generating Station was higher than anticipated due to recoveries of channel repair costs. The cost of corporate operations was relatively close to the forecast.

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year end and once the external audit is complete. CBT forecasts are affected by information provided by CPC relating to the power projects.

⁶ CBT recently made changes to its financial statement presentation of revenues and expenses. Previously, all expenses incurred at a CBT subsidiary or joint venture level were netted off their respective revenue category. Expenses incurred at a subsidiary level that are within the control of CBT management are now shown under operating expenses on a line by line basis. Expenses incurred at a joint venture level are still netted off their respective revenue category. The intent of this new format is to provide a reader of the financial statements with a better understanding of all the expenses incurred that are within control of CBT management. The target for 2006/07 of 25% was adjusted in the 2007/08-2009/10 Service Plan to reflect the changes in financial statement presentation. Before this change in format, the historical percentages for actuals in 2004/05 and 2005/06 respectively were as follows: 32% and 21%. The percentage in the 2007/08-2009/10 Service Plan for the 2005/06 actual result was 27% due to the treatment of a business loan provision of \$650,000, which was netted off of business loan income. This provision is now included in corporate operations expense, resulting in an adjusted actual of 29% for 2005/06.

The Board of Directors is responsible for establishing and following sound governance principles. Its governance practices are generally consistent with the Board Resourcing and Development Office's Best Practice Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations. For more information on CBT governance practices and their compliance with the Best Practice Governance Disclosure Guidelines, visit www.cbt.org

CBT governance principles include:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT will be transparent and open to Columbia Basin residents.

Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

The Board of Directors ensures that the Basin Regional Districts and Ktunaxa Nation Council are aware of CBT activities and major initiatives, and also communicates with the Ministry of Economic Development, which provides information on the Province's policies.

The Board assesses its performance following each regular Board meeting.

Board of Directors⁷

Josh Smienk, Chair	Garry Merkel, Vice Chair	Mike Berg
Denise Birdstone	Dieter Bogs	Evelyn Cutts
Greg Deck	Ron Miles	Jim Miller
Ron Oszust	Mike Rouse	Jeannette Townsend

Senior Management

Neil Muth, President & Chief Executive Officer
 Wally Penner, Vice President, Community Partnerships
 Johnny Strilaeff, Vice President, Investments
 Robert Krysac, Vice President, Finance & Operations

⁷ Terms for Josh Smienk and Dieter Bogs ended on March 31, 2007. Paul Peterson and Bill Trehwella were appointed to the Board as of April 01, 2007.



2006/07 Board of Directors: Left to right, top row: Garry Merkel, Greg Deck, Josh Smienk, Mike Berg, Evelyn Cutts, Dieter Bogs, Ron Oszust, Jeannette Townsend, Jim Miller, Denise Birdstone, Ron Miles. (Mike Rouse missing)

2006/07 Board Committees

The **Executive Committee** oversees matters on behalf of the Board of Directors.

Josh Smienk, Chair
Ron Oszust

Garry Merkel, Vice Chair
Mike Rouse

Greg Deck

The **Audit Committee** is responsible for financial oversight and ensures that CBT's financial information is accurate.

Mike Berg, Chair

Ron Miles

Jeannette Townsend

The **Investment Committee** oversees the management of the CBT Investment Program and develops and reviews investment policies and procedures.

Mike Rouse, Chair
Josh Smienk

Greg Deck

Jim Miller

The **Delivery of Benefits Committee** recommends an overall approach to returning benefits to the Board, and is responsible for the administration of the CBT Community Development Program.

Ron Oszust, Chair
Dieter Bogs

Evelyn Cutts, Vice Chair
Ron Miles

Denise Birdstone
Josh Smienk

The **Water Initiatives Committee** is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.

Garry Merkel, Chair
Josh Smienk

Dieter Bogs
Ron Oszust

Evelyn Cutts
Jeannette Townsend

Boards of CBT 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, which are addressed by the CBT Board. Directors for all the following subsidiary boards consist of senior management: Neil Muth (President & Chief Executive Officer), Robert Kryscak (Vice President, Finance & Operations), and Johnny Strilaeff (Vice President, Investments).

- **CBT Commercial Finance Corp.** holds CBT interests in commercial 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 that holds its interests in the Arrow Lakes Generating Station joint venture with CPC.
- **CBT Brilliant Expansion Power Corp.** is a subsidiary of CBTE that holds its interests in the Brilliant Expansion joint venture with CPC.
- **CBT Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the Power Project Joint Venture with CPC, which is responsible for assessing joint venture power projects before they are developed.

Introduction

This Management Discussion and Analysis of the financial condition and results of operation of CBT should be read in conjunction with the audited Consolidated Financial Statements and Notes for the year ended March 31, 2007. The financial data reported was prepared in accordance with Canadian generally accepted accounting principles (GAAP) and presented in Canadian dollars. Where the financial results of power project and real estate joint venture activities are reported, the amounts shown represent CBT's 50% share.

Overview

CBT investment capital is primarily invested in hydroelectric power projects and CBT is highly dependent on income from these assets to finance its future operations and the Delivery of Benefit obligations. The remaining portion of CBT's investment capital is placed in real estate, commercial loans and income securities.

CBT deals with a number of risks as a result of its reliance on one asset class for the majority of its income. The potential impact of lower income or losses from power projects has to be given full consideration. CBT must also take into account the possibility of losses from non-power investments and the impact this could have on the financial status of the organization.

Key Factors

Financing power project construction at competitive rates and the sale of the capacity and energy from these projects at market prices is critical for CBT. The prudent investment of the non-power investment capital is necessary in order to be able to generate a consistent and predictable level of income and cash flow in the future. Completion of the construction of the Brilliant Expansion project will provide CBT and CPC with a more diversified portfolio of power assets that will ultimately generate more predictable levels of cash flow and income.

Rising energy prices have increased the level of interest in energy assets in the capital markets. This may provide CBT and CPC with greater opportunity to finance the Waneta Expansion project. The experience gained from building the Arrow Lakes Generating Station and the Brilliant Expansion project has put CBT and CPC in a better position to plan for the construction of the Waneta Expansion project. The knowledge acquired from creating and implementing two design-build contracts will be invaluable for a third project. However, CBT and CPC are continuing to assess the overall feasibility of the project.

The implementation of a new investment policy will result in a more prudent and active approach to investing the non-power capital. This should provide CBT with a more consistent and reliable stream of cash flow in the future allowing the organization to predict a level of disbursements with a higher degree of certainty.

The Delivery of Benefits in a fair and equitable manner is important for the reputation of the organization. CBT must also be assured that its partnership arrangements and contracting practices for Delivery of Benefits reflect best practices.

RESULTS OF OPERATIONS

Power project income was substantially higher than the previous year due to higher income from the Arrow Lakes Generating Station. Overall investment income was 17.9% higher than the previous year due to substantially higher income from non-power income securities. This was offset by lower income from loans. Contributions from the Province of B.C. were lower by over \$10 million due to the one time payment of that amount made in the previous year.

COMPARISON TO THE PREVIOUS YEAR

(in thousands)	Actuals		Variance	
	2005/06	2006/07	Amount	%
Revenues				
Power projects	\$ 3,232	\$ 14,555	\$ 11,323	350.3%
Investment income	2,415	2,847	432	17.9%
Contributions from the Province of B.C.	12,110	1,996	(10,114)	(83.5%)
	\$ 17,757	\$ 19,398	\$ 1,641	9.2%
Power projects				
Brilliant Dam	4,637	5,114	477	10.3%
Arrow Lakes Generating Station	(1,405)	9,441	10,846	-
	\$ 3,232	\$ 14,555	\$ 11,323	350.3%
Investment income				
Income securities	564	1,498	934	165.6%
Business loans	1,531	878	(653)	(42.7%)
Real estate	320	471	151	47.2%
	\$ 2,415	\$ 2,847	\$ 432	17.9%

Arrow Lakes Generating Station

CBT's share of revenue from Arrow Lakes Generating Station was significantly higher in 2006/07 compared to 2005/06 due to following factors:

- The generating station was in operation for most of 2006/07,
- Lower financing charges (partially offset by higher operating costs),
- \$7.2 million recovery from FM Global Insurance for the channel repairs compared to \$3 million in 2005/06, and
- Lower channel repair costs (\$3 million in 2006/07 versus \$7.4 million in the previous year).

Together these factors resulted in net income of \$9.4 million in the year in comparison to a loss of \$1.4 million in the previous year.

Brilliant Dam

Net income from the Brilliant Dam increased by \$477,000, largely as a result of lower operating expenses and lower finance charges together with nominally higher revenues. Operating expenses declined because of lower insurance and administration and management charges. Finance charges declined due to the lower average balance of debt that was outstanding during the year. Total power sales revenue decreased due to lower prices for power sold to Powerex, although revenue from sales to FortisBC increased as expected.

Brilliant Expansion

The construction of the Brilliant Expansion is nearing completion and it is expected to begin operating in 2007/08. A total of \$5.6 million was spent in construction costs on such components as the generator, electrical equipment and the completion of the intake and tailrace civil works.

Income Securities

Interest income from income securities was \$1.5 million in comparison to \$564,000 in the previous year. This increase was due to both the higher average balances maintained in this investment class during the year and more active management which resulted in the active placement of funds in higher yielding investments.

Commercial Loans

Income from commercial loans decreased to \$878,000 from \$1.5 million in the previous year. Loans continue to get paid down as these programs become a smaller portion of the CBT investment portfolio. Income from the Kicking Horse Resort loan is lower because there is no participating component for the current year due to lower real estate sales at the resort.

Real Estate

Real estate income was \$471,000 in the current year in comparison to \$320,000 in the previous year. Net income from almost all of the congregate care facilities increased in the year, with the most significant increases coming from the facilities in Creston, Cranbrook and Invermere.

DELIVERY OF BENEFITS

For the first time since the inception of CBT, disbursements for the Delivery of Benefits exceeded \$5 million. Actual funds disbursed were \$5.3 million in comparison to \$4.2 million in the previous year. Delivery of Benefits funds were disbursed through a range of programs and initiatives and were provided to virtually all of the major communities in the Columbia Basin region.

COMPARISON TO SERVICE PLANS

Total revenues were significantly higher than the forecasted revenues in the 2006/07 – 2008/09 Service Plan as a result of the improvements in operations at the Arrow Lakes Generating Station and the recovery of the repair costs to the Arrow Lakes channel. Income from term securities and business loans were also significantly higher than forecasted. At the time of the Service Plan, the expectation was that the investments in income securities and commercial loans would be substantially lower in 2006/07 than they actually were. The opening of two new congregate care facilities in the year is the reason for the increase in real estate income over the forecasted amounts.

The total number of full-time equivalents at CBT was 32.5.

The following table compares results for the 2006/07 year to forecasts set in the 2006/07 – 2008/09 Service Plan.⁸

COMPARISON: 2006/07 FORECAST TO ACTUAL

(in thousands)	Actual	Forecast	Variance
	2006 /07	2006 /07	
Revenues			
Power projects	\$ 14,555	\$ 4,117	\$ 10,438
Investment income	2,847	1,266	1,581
Contributions from the Province of B.C	1,996	2,000	(4)
	19,398	7,383	12,015
Operating Expenses (Net of recoveries)	4,054	3,405	649
Operating Income	15,344	3,978	11,366
Delivery of Benefits	5,256	5,000	256
Surplus (Deficit) of Revenues Over Expenses	\$ 10,088	\$ (1,022)	\$ 11,110

CAPITAL STRUCTURE

Long-term debt declined marginally from \$133.7 million to \$131.4 million as a result of the normal retirement of the power project bonds and the congregate care debt. Net assets restricted to power projects declined slightly in the year. Unrestricted net assets increased by the current year's excess of revenues over expenses of \$10.1 million, which has provided CBT with greater financial flexibility for the future.

CAPITAL EXPENDITURES

Total capital expenditures were in excess of \$16.4 million in the year, with \$5.6 million incurred in completing the construction of the Brilliant Expansion project. An additional \$2.8 million was spent on investigating the feasibility of the Waneta Expansion project. Real estate capital expenditures of \$5.3 million were for new congregate care facilities in Cranbrook and Kimberley.

⁸ The forecasts for 2006/07 were updated in the 2007/08 – 2009/10 Service Plan. See Appendix 2 for the revised forecasts.

CAPITAL EXPENDITURES 2006/07

(in thousands)	Actual
Arrow Lakes Generating Station	\$ 1,992
Brilliant Expansion Project	5,588
Waneta Expansion	2,761
Brilliant Dam	551
Real Estate	5,345
CBT Corporate	185
	\$ 16,422

RISK ASSESSMENT

The primary risks that CBT has to deal with are those involved with the construction and operation of hydroelectric power-plants. The cost of delays in the completion of a power-plant is very substantial. The full effect of such a delay is currently being felt with the Brilliant Expansion project. The possibility of defects to a new power-plant is also a very real risk. The sale of energy from a new power-plant in the absence of long-term sales agreements is also a significant risk, especially in today's volatile energy markets. The possibility of a rise in interest rates makes the construction of new power-plants more expensive and difficult to finance.

FUTURE OUTLOOK

The CBT goal for its Investment Program is to generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses. Our ability to achieve this goal is dependent, amongst other things, on the following:

- The general economy in the region remaining stable.
- Interest rates remaining stable.
- Energy prices remaining attractive for building future power projects.
- Brilliant Expansion being completed in a timely fashion.

The achievement of these objectives is partially dependent on the successful mitigation of business risks. CBT believes it has identified and mitigated such risks to the extent practical.

CBT'S RESULTS – FIVE YEAR REVIEW

(in thousands)					
	2002 / 03	2003 / 04	2004 / 05	2005 / 06	2006 / 07
Revenues					
Power projects	\$ 14,177	\$ 8,493	\$ 6,585	\$ 3,232	\$ 14,555
Investment income	2,852	2,090	1,987	2,415	2,847
Contributions from the Province of B.C.	2,000	2,000	2,000	12,110	1,996
	19,029	12,583	10,572	17,757	19,398
Operating Expenses (net of recoveries)	4,458	4,050	4,300	5,091	4,054
Operating Income	14,571	8,533	6,272	12,666	15,344
Investment write-downs	576	7,767	3,778	-	-
Delivery of Benefits	4,036	3,866	4,276	4,193	5,256
Surplus (Deficit) of Revenues Over Expenses	\$ 9,959	\$ (3,100)	\$ (1,782)	\$ 8,473	\$ 10,088

COLUMBIA BASIN TRUST
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2007

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RESPONSIBILITY FOR FINANCIAL REPORTING

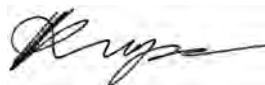
Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are 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 including policies and procedures 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.

The independent external auditors, Yule Anderson Johnstone, 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 report of Yule Anderson Johnstone, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.



Neil Muth
President & Chief Executive Officer



Robert Kryzac, C.G.A., C.P.A.
Vice President, Finance and Operations

AUDITOR'S REPORT

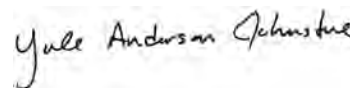
To the Directors of Columbia Basin Trust:

To the Minister of Economic Development:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2007 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Castlegar, B.C.
May 17, 2007

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT		
Cash and temporary investments (Note 3)	\$ 23,316	\$ 39,326
Unbilled power project revenue	4,629	4,702
Accrued interest and other receivables	<u>1,725</u>	<u>2,345</u>
	<u>29,670</u>	<u>46,373</u>
INVESTMENTS		
Power projects (Note 4)	363,265	361,517
Income securities (Note 5)	38,067	31,059
Real estate (Note 6)	28,372	23,608
Business loans (Note 7)	<u>10,559</u>	<u>12,068</u>
	<u>440,263</u>	<u>428,252</u>
OTHER		
Recoverable channel repair costs (Note 8)	2,159	1,379
Deferred amounts (Note 10)	<u>27,096</u>	<u>24,129</u>
	<u>29,255</u>	<u>25,508</u>
	<u>\$ 499,188</u>	<u>\$ 500,133</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,194	\$ 13,931
Accrued interest expense	2,979	3,080
Current portion of long-term debt (Note 11)	<u>6,766</u>	<u>5,664</u>
	<u>13,939</u>	<u>22,675</u>
LONG-TERM DEBT		
Long-term debt (Note 11)	<u>131,432</u>	<u>133,729</u>
	<u>131,432</u>	<u>133,729</u>
NET ASSETS		
Power projects (Restricted) (Note 16(a))	276,767	277,453
Unrestricted	<u>77,050</u>	<u>66,276</u>
	<u>353,817</u>	<u>343,729</u>
	<u>\$ 499,188</u>	<u>\$ 500,133</u>

Approved on behalf of the Board of Directors:



Director



Director

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
REVENUES		
Power projects (Note 4)	\$ 14,555	\$ 3,232
Investment income (Note 12)	2,847	2,415
Contributions from the Province of B.C.	<u>1,996</u>	<u>12,110</u>
	<u>19,398</u>	<u>17,757</u>
OPERATING EXPENSES		
Staff remuneration and development	2,491	2,749
Professional and consultants fees	535	637
Office and general	452	451
Amortization	290	286
Board and committee expenses	183	201
Corporate travel and meetings	160	164
Public relations	139	231
Information technology/systems	133	133
Loan loss provisions	<u>-</u>	<u>650</u>
	<u>4,383</u>	<u>5,502</u>
RECOVERIES		
Recovery of information technology services (Note 17(a))	220	242
Recovery of management services	<u>109</u>	<u>169</u>
	<u>329</u>	<u>411</u>
OPERATING INCOME	15,344	12,666
Delivery of benefits	<u>5,256</u>	<u>4,193</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 10,088</u>	<u>\$ 8,473</u>

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2007
(in thousands of dollars)

	Power Projects (Restricted)	Unrestricted	2007	2006
NET ASSETS, beginning of year	\$ 277,453	\$ 66,276	\$ 343,729	\$ 313,122
Power project financing earned from Province of B.C.	-	-	-	22,134
Additional power project cash available for distribution	(686)	686	-	-
Excess of revenues over expenses	-	10,088	10,088	8,473
NET ASSETS, end of year	<u>\$ 276,767</u>	<u>\$ 77,050</u>	<u>\$ 353,817</u>	<u>\$ 343,729</u>

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	\$ 1,128	\$ 563
Cash received from business loan income	760	1,485
Cash received from rental income	1,101	645
Cash generated by power project joint ventures and distributed	6,650	4,600
Cash generated by power project joint ventures and not distributed	13,412	5,106
Cash received from the Province of B.C.	1,996	12,110
Cash paid for operating expenses	(3,511)	(3,596)
Cash paid for Delivery of Benefits disbursements	<u>(5,256)</u>	<u>(4,156)</u>
	<u>16,280</u>	<u>16,757</u>
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(17,559)	(11,804)
Investment in deferred power project costs	(2,551)	(1,745)
Purchase of investment deposits and securities	(7,008)	(15,820)
Repayment of business loans	1,505	3,181
Investment in real estate projects	(5,309)	(11,553)
Purchase of CBT office assets	<u>(173)</u>	<u>(268)</u>
	<u>(31,095)</u>	<u>(38,009)</u>
CASH FLOWS APPLIED TO FINANCING ACTIVITIES		
Proceeds from placement of debt	4,473	9,132
Repayment of non-recourse debt	(5,668)	(5,192)
Contributions from the Province of B.C.	-	50,000
Repayment of long term advance from Columbia Power Corporation	<u>-</u>	<u>(23,088)</u>
	<u>(1,195)</u>	<u>30,852</u>
INCREASE (DECREASE) IN CASH	(16,010)	9,600
CASH, beginning of year	<u>39,326</u>	<u>29,726</u>
CASH, end of year	<u>\$ 23,316</u>	<u>\$ 39,326</u>

The accompanying notes are an integral part of this consolidated statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

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 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. The interest of CBT's subsidiaries in joint ventures is consolidated by CBT 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.

(c) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets.

(d) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost, which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in net investment income.

(e) Business Loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgment of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the overall loan portfolio.

(f) Capitalization and Amortization

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

	<u>Years</u>
<u>Power projects</u>	
Arrow Lakes Generating Station	5 - 80
Brilliant Dam	30 - 80
<u>Real estate</u>	
Buildings and improvements	30
<u>CBT office</u>	
Computer equipment and software	3
Office furniture & equipment	5
Leasehold improvements	4 - 10
Building	30

(g) 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.

(h) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are deferred and amortized on a straight line basis over the term of the related debt.

(i) 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*.

(j) 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.

(k) 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.

3. CASH AND TEMPORARY INVESTMENTS

	March 31, <u>2007</u>	March 31, <u>2006</u>
Restricted Cash	\$ 3,857	\$ 19,054
Non Restricted Cash	<u>19,459</u>	<u>20,272</u>
	<u>\$ 23,316</u>	<u>\$ 39,326</u>

The restricted portion of cash is for the payment of construction trust liabilities.

4. POWER PROJECTS

CBT participates in power projects through joint ventures with Columbia Power Corporation (CPC), a Crown Corporation.

	March 31, <u>2007</u>	March 31, <u>2006</u>
Brilliant Dam	\$ 101,527	\$ 103,327
Arrow Lakes Generating Station	145,879	147,920
Brilliant Expansion Project	<u>115,859</u>	<u>110,270</u>
	<u>\$ 363,265</u>	<u>\$ 361,517</u>

(a) Brilliant Dam

The Brilliant Dam is a 145 MW powerplant located on the Kootenay River near Castlegar, BC.

(b) Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a 185 MW powerplant constructed 400 meters downstream of the B.C. Hydro Hugh Keenleyside Dam near Castlegar, B.C. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the B.C. Hydro substation at Selkirk.

(i) Power Sales Contract

CBT paid \$11.4 million for the right and obligation to provide 9 million MW hours of electricity to B.C. Hydro commencing in January 2003. This obligation is being fulfilled by delivery of electricity from the Arrow Lakes Generating Station. Amortization is recorded on the basis of units of production.

(c) Brilliant Expansion Project

The Brilliant Expansion Project involves the installation of an additional 120 MW power generation facility near the existing Brilliant Dam.

CBT's operating power project assets are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Brilliant Dam				
Capital assets in service	\$ 118,050	\$ (18,909)	\$ 99,141	\$ 100,941
Land	<u>2,386</u>	<u>-</u>	<u>2,386</u>	<u>2,386</u>
	<u>120,436</u>	<u>(18,909)</u>	<u>101,527</u>	<u>103,327</u>
Arrow Lakes Generating Station				
Capital assets in service	149,786	(15,446)	134,340	135,451
Power sales contract	11,376	(3,444)	7,932	8,862
Land	<u>3,607</u>	<u>-</u>	<u>3,607</u>	<u>3,607</u>
	<u>164,769</u>	<u>(18,890)</u>	<u>145,879</u>	<u>147,920</u>
	<u>\$ 285,205</u>	<u>\$ (37,799)</u>	<u>\$ 247,406</u>	<u>\$ 251,247</u>

CBT's power project asset under construction is as follows:

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Brilliant Expansion Project		
Construction-in-progress	\$ 95,537	\$ 89,948
Expansion rights	13,225	13,225
Deferred development costs	<u>7,097</u>	<u>7,097</u>
	<u>\$ 115,859</u>	<u>\$ 110,270</u>

Net power project income consists of:

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Revenues:		
Sale of power	\$ 33,375	\$ 30,519
Insurance recovery	<u>7,212</u>	<u>2,965</u>
	40,587	33,484
Expenses:		
Finance charges	(8,524)	(8,840)
Operation of powerplants	(8,163)	(7,991)
Channel repair costs	(3,015)	(7,360)
Amortization of powerplant assets	<u>(6,330)</u>	<u>(6,061)</u>
	<u>(26,032)</u>	<u>(30,252)</u>
	<u>\$ 14,555</u>	<u>\$ 3,232</u>

5. INCOME SECURITIES

	March 31, <u>2007</u>	March 31, <u>2006</u>
Term securities	\$ 31,849	\$ 25,672
Debt service reserve fund	3,964	3,955
Operating reserve fund	1,250	1,200
Power agreement security account	<u>1,004</u>	<u>232</u>
	<u>\$ 38,067</u>	<u>\$ 31,059</u>

The Debt Service Reserve Fund and the Operating Reserve Account are required under the terms of joint venture debt financing and the funds are not available to CBT. The power agreement account secures letters of credit issued to B.C. Hydro for development security under two power sales agreements and is not available to CBT.

6. REAL ESTATE

The real estate projects are held for the purpose of earning rental income. The portion of the Castlegar building occupied by CBT offices is excluded from real estate projects. Projects under development consist of a 74 unit congregate care facility in Kimberley, B.C. The project is scheduled to be completed in June 2007.

CBT's interest in real estate projects is as follows:

	<u>Land</u>	<u>Building</u>	March 31, <u>2007</u>	March 31, <u>2006</u>
Congregate care facilities:				
Operating facilities	\$ 1,808	\$ 25,065	\$ 26,873	\$ 21,741
Projects under development	-	1,815	1,815	947
Less: Accumulated Amortization	<u>-</u>	<u>(1,412)</u>	<u>(1,412)</u>	<u>(769)</u>
	<u>1,808</u>	<u>25,468</u>	<u>27,276</u>	<u>21,919</u>
Commercial building:				
Castlegar office building	35	1,326	1,361	2,016
Less: Accumulated Amortization	<u>-</u>	<u>(265)</u>	<u>(265)</u>	<u>(327)</u>
	<u>35</u>	<u>1,061</u>	<u>1,096</u>	<u>1,689</u>
	<u>\$ 1,843</u>	<u>\$ 26,529</u>	<u>\$ 28,372</u>	<u>\$ 23,608</u>

7. BUSINESS LOANS

CBT participates in a loan syndication program in the basin which involves CBT matching funds through a pooling arrangement with the financial institutions in the region. The terms of these loans range in length from three to fifteen years and are generally secured by real estate. Through a regional lending program, CBT has provided lending capital to the Community Futures Development Corporations of the region for lending to small businesses. The terms of these loans range from one to five years and are generally secured by real estate.

	March 31, <u>2007</u>	March 31, <u>2006</u>
Business loans	\$ 11,298	\$ 12,807
Less: Loan Loss Allowance	<u>(739)</u>	<u>(739)</u>
	<u>\$ 10,559</u>	<u>\$ 12,068</u>

8. RECOVERABLE CHANNEL REPAIR COSTS

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of the Arrow Lakes Generating Station. Emergency repairs were undertaken to ensure that integrity of the channel was maintained and intermediate repairs were done to enable the safe resumption of power generation. Permanent repairs were done to improve the integrity of the approach channel and prevent a reoccurrence of the incident.

CBT and CPC recovered a portion of the repair costs and expect further recoveries of at least \$7.7 million (CBT's portion: \$3.8 million). A receivable of \$4.3 million (CBT's portion: \$2.2 million) has been recorded to reflect the discounted cash flow value of this future recovery.

9. JOINT VENTURES

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

	March 31, <u>2007</u>	March 31, <u>2006</u>
Assets		
Current assets	\$ 25,431	\$ 39,646
Investments	396,734	388,780
Other assets	<u>27,731</u>	<u>23,065</u>
	<u>\$ 449,896</u>	<u>\$ 451,491</u>
Liabilities		
Current liabilities	\$ 13,411	\$ 21,872
Long-term debt	131,433	133,729
Net Assets		
Power and non-power project investments	<u>305,052</u>	<u>295,890</u>
	<u>\$ 449,896</u>	<u>\$ 451,491</u>

Net Income

Revenues	\$ 42,379	\$ 34,523
Operating expenses	(18,144)	(21,799)
Finance charges	(9,369)	(9,345)
	<u>\$ 14,866</u>	<u>\$ 3,379</u>

Cash Flows

Operating activities	\$ 21,003	\$ 10,227
Investing activities	(25,419)	(24,871)
Financing activities	(1,195)	3,940
	<u>\$ (5,611)</u>	<u>\$ (10,704)</u>

10. DEFERRED AMOUNTS

CBT's interest in deferred amounts is as follows:

	March 31, 2007	March 31, 2006
Waneta expansion rights	\$ 12,700	\$ 12,700
Waneta deferred development costs	9,477	6,716
Deferred debt issue costs	3,394	3,696
CBT office assets	1,525	1,017
	<u>\$ 27,096</u>	<u>\$ 24,129</u>

(a) Waneta Expansion Rights

CBT owns half of the hydroelectric power expansion rights pertaining to the existing Waneta Dams' power generation capability. These rights include options to acquire lands near the Waneta Dam at no additional cost and the right to develop and operate a new hydroelectric facility on this land.

(b) Waneta Deferred Development Costs

The Waneta Expansion Development is a proposal to install an additional 435 MW power generation facility at the existing Waneta Dam. The Waneta Dam is owned by Teck Cominco to whom CBT's co-venturer, CPC, paid \$25.4 million in 1994 to purchase the rights to undertake an expansion.

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project.

	March 31, 2007	March 31, 2006
Deferred Costs:		
Project Design	\$ 1,777	\$ 1,159
Environmental Analysis	2,144	1,854
Socioeconomic Analysis	217	158
Finance/Legal Analysis	762	423
CPC/CBT Management	4,577	3,122
	<u>\$ 9,477</u>	<u>\$ 6,716</u>

(c) Deferred Debt Issue Costs

	March 31, 2007	March 31, 2006
Deferred debt issue costs	\$ 4,499	\$ 4,512
Accumulated amortization	<u>(1,105)</u>	<u>(816)</u>
	<u>\$ 3,394</u>	<u>\$ 3,696</u>

(d) CBT Office Assets

	Cost	Accumulated Amortization	March 31, 2007	March 31, 2006
Computer equipment	\$ 865	\$ (775)	\$ 90	\$ 72
Computer software	535	(508)	27	28
Office furniture and equipment	306	(248)	58	63
Leasehold improvements	529	(355)	174	167
Building	<u>1,541</u>	<u>(365)</u>	<u>1,176</u>	<u>687</u>
	<u>\$ 3,776</u>	<u>\$ (2,251)</u>	<u>\$ 1,525</u>	<u>\$ 1,017</u>

11. LONG-TERM DEBT

	March 31, 2007	March 31, 2006
Power project debt: Brilliant project bonds Series "A", "B", and "C", interest rates varying between 5.67% and 8.93%, maturing May 2026	\$ 78,799	\$ 80,544
Arrow Lakes project bonds Series "A", bearing interest at 5.39%, maturing March 2015	39,234	42,829
Real estate debt: Mortgage loans, interest rates varying between 5.1% and 6.1%, maturing on different dates between November 2009 and August 2013.	<u>20,165</u>	<u>16,020</u>
	138,198	139,393
Current portion of long-term debt	<u>(6,766)</u>	<u>(5,664)</u>
	<u>\$ 131,432</u>	<u>\$ 133,729</u>

(a) Brilliant and Arrow Lakes Bonds

The Brilliant project 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%. The 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 secured on a limited recourse basis by charges against the Brilliant Dam assets and revenues.

The Arrow Lakes 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. 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 congregate care facilities ranging in size from 63 to 77 suites. 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 congregate care facilities.

(c) Guarantees by joint venturers

The joint venturers of the Castle Wood Village, Columbia Village and Creston Village joint ventures are jointly and severally liable for the full amount of the joint venture mortgages. The joint venturers of the Rocky Mountain Village joint venture gave separate guarantees limited in the amount of \$1.4 million each. The joint venturers of the Joseph Creek Village joint venture gave separate guarantees for 50% of the original mortgage proceeds.

(d) Principal repayments

Principal repayments are estimated as follows:

2008	\$ 6,766
2009	6,433
2010	6,828
2011	7,249
2012	7,695
Thereafter	<u>103,227</u>
	<u>\$ 138,198</u>

12. INVESTMENT INCOME

	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
Real estate		
Revenues	\$ 1,950	\$ 1,213
Finance charges	(850)	(519)
Amortization	<u>(629)</u>	<u>(374)</u>
	471	320
Income securities	1,498	564
Business loans	<u>878</u>	<u>1,531</u>
	<u>\$ 2,847</u>	<u>\$ 2,415</u>

13. NON-RECOURSE CREDIT FACILITY

Consistent with its agreements with its Bondholders, CBT 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.

14. COMMITMENTS

(a) Power Project Debt

Under its agreements with its Bondholders, CBT has 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 to maintain the Brilliant Dam entitlement 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.

15. CONTINGENCIES

Under the Design - Build contract for the Arrow Lakes Generating Station, all deficiencies of the project must be completed by the construction contractor or the contractor will be liable for liquidated damages.

The contractor of the Brilliant Expansion Project has submitted claims relating to the construction of the project. CBT and CPC are conducting a review of these claims.

CBT's power project operations and investments 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' portions of certain real estate joint venture debt. As at March 31, 2007 the balance of the co-venturer's portion of the debt was \$8.3 million (2006-\$8.5 million.)

16. NET ASSETS

(a) Power projects

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

17. RELATED PARTY TRANSACTIONS

(a) Columbia Power Corporation Computer Services

CBT has entered into a contract for the provision of information systems servicing and support to CPC. During fiscal 2007, CPC paid \$220 thousand (fiscal 2006 - \$222 thousand) under this agreement.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CPC and CBT charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities (CBT's share is 50%).

		March 31, <u>2007</u>	March 31, <u>2006</u>
(i)	Payments to CPC	\$ 7,319	\$ 5,902
(ii)	Payments to CBT	\$ 109	\$ 73

The joint venturers also paid \$1.1 million (fiscal 2006 - \$1.2 million) to B.C. Hydro and Power Authority for project consulting services, which were provided at market rates.

18. FINANCIAL INSTRUMENTS

(a) Fair value

CBT's financial instruments consist of cash and cash equivalents, securities, receivables, accounts payable, accrued liabilities and long-term debt. The carrying values reported in the balance sheet for cash and short-term investments, receivables, accounts payable and accrued liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the securities and the long-term debt are not significantly different from their carrying values.

(b) Interest rate risk

CBT is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. All of CBT's long-term liabilities bear interest at fixed rates.

(c) Credit risk

CBT's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, securities and business loans. Cash and cash equivalents and securities are invested in securities issued by well-capitalized financial institutions with investment grade credit ratings. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan.

19. SUBSEQUENT EVENTS

In May 2007, a motel that secured a commercial loan under the loan syndication program was sold. The majority of the original loan that was advanced to the lender will be recovered upon the settlement of this sales transaction. The closing date of the sale is June 1, 2007 and it is expected that the specific provision of \$412 thousand for this loan will be reversed after that date.

20. COMPARATIVE FIGURES

Certain 2006 comparative figures have been reclassified to conform to the current year's presentation.

This appendix contains excerpts from the 2007/08 – 2009/10 Service Plan. Some strategies from the 2006/07 – 2008/09 Service Plan were amended and some targets for 2006/07 were adjusted. Any such adjustments are noted in the Report on Performance.

INVESTMENTS

Goals

CBT's investment program goal is to generate a predictable, sustainable, and appreciating income stream to fund delivery of benefits obligations and corporate operating expenses.

This has been changed from previous service plans to clearly link the primary function of the investment program (generation of income) to delivery of benefits.

Investment Strategies

1. CBT adheres to the principles of a prudent investor and requires investment returns commensurate with the level of risk assumed.
2. The investment priority will be opportunities located in the Columbia Basin region.
3. CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
4. Notwithstanding CBT's large investment in hydroelectric projects, efforts will be made to diversify non-power investments by industry and location.
5. CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

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 programs that target areas of quality opportunity not otherwise addressed by conventional lenders.
4. Remain fully engaged with management of CPC during the pre-development and operating phases of our jointly held power projects.
5. Complete development and implementation of a new investment policy that supports the goal identified above.

Guidelines/Strategies have been changed from previous service plans to reflect the recommendations arising from CBT's comprehensive review of the investment portfolio.

Measures	Actual	Forecast	Targets		
	2005 / 06	2006 / 07	2007 / 08	2008 / 09	2009 / 10
Nominal annual return on non-power investments	2.9%	6%	6%	6%	6%

DELIVERY OF BENEFITS

Goals

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

Strategies

1. Engage in communities throughout the Columbia Basin to help them address their needs.
2. Work with advisory committees in social, economic, environmental, water and youth areas to identify strategic priorities.
3. Develop tools for assessing the social, economic and environmental State of the Columbia Basin.
4. Establish and implement an evaluation schedule of delivery of benefits programs and use the results to help guide future funding decisions.
5. Ensure information is available on its programs to Columbia Basin residents through staff and the website, www.cbt.org, and develop and implement a communications strategy.

Strategies have been changed from previous service plans to reflect the current and future direction of CBT's approach to delivery of benefits.

Measures	Actual	Forecast	Targets		
	2005 / 06	2006 / 07	2007 / 08	2008 / 09	2009 / 10
Benefits delivered by projects / programs	Three programs evaluated	One program evaluated	At least one program evaluated	At least one program evaluated	At least one program evaluated
	CBT defined the next steps for its State of the Columbia Basin work (this work entails developing indicators on the social, economic and environmental State of the Columbia Basin)	Continue development of prototype indicator report on the social, economic and environmental state of the Columbia Basin	Public review of prototype indicator report, review and revise where necessary	Set target in 2007/08	Set target in 2007/08

CORPORATE

Goals					
CBT's goal is to support and enable the effective management of the investments and delivery of benefits programs.					
Strategies					
<div>1. Review and revise financial management policies.</div> <div>2. Implement a new human resources framework.</div> <div>3. Develop tools to identify, assess and address risks and opportunities.</div>					
Measures	Actual	Forecast	Targets		
	2005 / 06	2006 / 07	2007 / 08	2008 / 09	2009 / 10
Corporate operations as a percentage of revenues	27%	25%	25%	22%	20%

The following table presents updated forecasts for the 2006/07 year as presented in the 2007/08 – 2009/10 Service Plan.

(in thousands)	2006/07 Forecast
Revenues	
Power projects	\$ 12,122
Investment income	1,979
Contributions from the Province of B.C	2,000
	16,101
Operating Expenses	3,992
Operating Income	12,109
Delivery of Benefits	5,000
Surplus of Revenues Over Expenses	\$ 7,109



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Calculations based on research by Environmental Defense and other members of the Paper Task Force.

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Head Office/Southwest Basin

Suite 300, 445
13th Avenue
Castlegar, BC
V1N 1G1

1.800.505.8998 / 250.365.6633
e-mail: cbt@cbt.org

Northeast Basin Office

Box 393, #104
806 9th Street North
Golden, BC
V1A 1H0

1.800.505.8998 / 250.344.7065

Northwest Basin Office

Box 220
220 Broadway
Nakusp, BC
V0G 1R0

1.800.505.8998 / 250.265.9936

Southeast Basin Office

828D Baker Street
Cranbrook, BC
V1C 1A2

1.800.505.8998 / 250.426.8810

