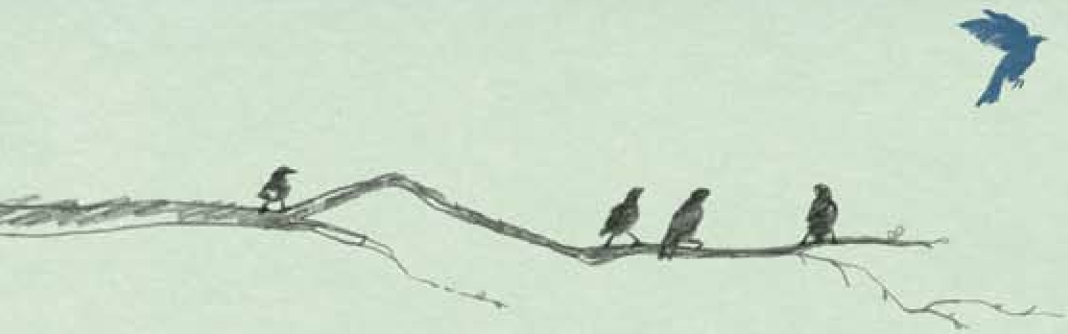
COLUMBIA BASIN TRUST

a legacy for the people

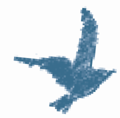


taking action

2009/10 ANNUAL REPORT

WWW.CBT.ORG

Our theme "taking action" reflects CBT's role in helping to bring people, governments and communities together; encouraging collaboration and partnerships; working with groups to access funding, information and expertise through our staff, advisory committees and partners; and identifying and translating their priorities into action.



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Dear Minister Stewart:

For Columbia Basin Trust (CBT), 2009/10 was a year of action in supporting people and communities in the Canadian portion of the Columbia Basin (Basin), and a year of solid returns on investments. CBT was able to increase its financial commitment to residents over the previous year, disbursing $10.9 million in direct funding benefits.

CBT continues to engage with residents and communities in an ongoing dialogue to address Basin priorities, and to ensure that together, we are meeting needs and are responsive to opportunities in the most meaningful way. Our theme "taking action" reflects CBT's role in helping to bring people, governments and communities together; encouraging collaboration and partnerships; working with groups to access funding, information and expertise through our staff, advisory committees and partners; and identifying and translating their priorities into action.

2009/10 was a year of action in supporting people and communities in the Columbia Basin, and a year of solid returns on investments.

PERFORMANCE RESULTS

CBT's strong financial performance in 2009/10 resulted in total revenue increasing to $26.1 million, up from $24.1 million in 2008/09 and $1.8 million ahead of budgeted amounts set out in the 2009/10 Service Plan. Our corporate operating expenses (net of recoveries), which were slightly below budget, came in at 18 per cent of revenues, ahead of the 20 per cent target.

We are also pleased with our performance relative to the measures set out in the Service Plan for our two core business areas: Investments and Delivery of Benefits.

Our Private Placements portfolio, which consists of real estate investments primarily in seniors' care facilities and loans to Basin-based businesses, generated an annual return of 8.29 per cent, exceeding our 8 per cent benchmark. Our investments in Power Projects earned an annual return of 7.69 per cent, below our long-term target of 8 per cent, but significantly stronger than the 6.90 per cent return earned in 2008/09. Our annual return from Market Securities was very strong at 21 per cent, significantly higher than our target of 6 per cent; the unrealized losses that were incurred last fiscal were fully recovered in 2009/10.

With respect to our activities in delivering programs and initiatives throughout the Basin (collectively referred to as Delivery of Benefits), we had set an objective of evaluating at least one program in 2009/10. We initiated two evaluations in the past year: one in the area of literacy planning and the other of CBT's Youth Initiatives. We also recognized the need to strengthen how we measure our performance in Delivery of Benefits, and have established a new framework for measuring our effectiveness in this area (as well as Corporate Operations), which we will begin implementing in 2010/11.

HIGHLIGHTS

One of the major areas of focus for CBT this past year has been delivering on our economic mandate. We have completed an Economic Initiatives Strategic Plan (2010-2012) which will work toward a region where local and regional economic well-being is actively fostered and the economy is diverse, resilient and energized. This spring, CBT quickly responded to the economic realities in the region by launching Summer Works, a wage subsidy program for small businesses to hire students, which created over 100 jobs this summer.

Over the past year, CBT has made considerable progress in implementing its Social Strategic Plan (2009-2011). We have continued to assist communities in addressing affordable

Garry Merkel, Chair

Neil Muth, President and CEO

housing issues, and in particular to explore opportunities to support new housing initiatives. We have also had positive outcomes from our partnerships supporting the non-profit sector, as well as in literacy initiatives across the region.

In an effort to deliver on our vision for the long-term and enduring stewardship of the Basin's natural assets, as well as sufficient ability to take action to meet environmental challenges, CBT has been moving forward on its Environmental Strategic Plan (2009-2012). Of particular note this year, CBT supported community efforts to conserve the Valhalla Mile and Slocan Island.

The Regional Districts of Kootenay Boundary, Central Kootenay and East Kootenay received a Community Excellence Award from the Union of British Columbia Municipalities for the Carbon Neutral Kootenays Project. CBT partnered with the Regional Districts on this project which is helping local governments reduce their corporate emissions and become carbon neutral by 2012. Our Communities Adapting to Climate Change initiative is in its second year, working with communities to increase their resiliency by identifying and preparing for potential local impacts of climate change, such as increased threat of wildfires or floods. CBT also kicked off a Water Smart initiative in partnership with 19 local governments with a goal to reduce water consumption in the Basin by 20 per cent by 2015.

CBT has been taking an active role in youth engagement, giving youth a voice in the region and supporting the efforts of communities to become more youth-friendly. As noted above, evaluation of this long-running area of CBT began this fiscal year, and although it will continue into 2010/11, early outcomes have helped to clarify and reinforce the importance of working with the entire community when addressing youth issues.

Our Delivery of Benefits activities are dependent on the success of our Investment Program in generating the funds we return to Basin communities. As noted above, the financial performance of our investment portfolio was strong in 2009/10. In addition to the financial returns generated, our Investment Program also contributes to the overall well-being of the Basin by providing an additional source of capital for Basin businesses and an ability to be creative in structuring investment opportunities.

FUTURE OUTLOOK

The Waneta Expansion Project continues to be the single most significant investment decision facing CBT. In November 2009, CBT and our partner Columbia Power Corporation (CPC) announced the project would not be proceeding as originally planned. However, CBT management has remained actively engaged with CPC in exploring viable business models that will allow the project to move forward. We are awaiting the results of a review by the Province of BC of a proposed joint investment arrangement between CBT, CPC and an unrelated third party. This review is expected to be complete by June 30, 2010.

Although there is some optimism that the worst of the market breakdown has past, CBT's long-term investment strategy remains unchanged. We will continue to monitor market events and ensure they are given due consideration when making investment decisions. We will also continue to focus on building relationships throughout the Basin, providing mutual benefits to Basin businesses and our investment portfolio.

In the past year we have been improving the management of our Corporate Operations and creating a solid foundation, which puts us in a better position this year, more than any other year to date, to take action and more importantly, to help communities take action. CBT has also begun a process to renew its areas of strategic focus with input from Basin residents, and we look forward to finalizing three to five-year strategic priorities in the coming year.

We anticipate that the current economic climate will continue to have a negative impact on some traditional funding sources that our communities have relied upon. This will place pressure on our Delivery of Benefits, both in terms of the funding we are able to make available, as well as the assistance that we can provide through our staff resources. We are fortunate that, through the success of our Investment Program, we anticipate that we will be able to maintain our spending levels over the coming three years.

CBT's achievements are a testament to the contributions of our dedicated partners, advisory committees, staff and Board members who help us take action on strengthening our communities.

ACKNOWLEDGEMENTS

CBT's achievements are a testament to the contributions of our dedicated partners, advisory committees, staff and Board members who help us take action on strengthening our communities. CBT would specifically like to thank Jeannette Townsend, Evelyn Cutts and Loni Parker who served on our Board of Directors. As a founding member, Jeannette's history with CBT precedes CBT itself. Her passion and dedication to this organization, and to the people of this region, have helped create a lasting legacy in the Basin. As long time Board members, Evelyn and Loni have also left a part of themselves in their many contributions to CBT and the region.

PUBLIC REPORTING

The 2009/10 Columbia Basin Trust Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of Columbia Basin Trust (CBT) for the twelve months ended March 31, 2010 in relation to our February 2009 Service Plan and September 2009 service plan update.

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

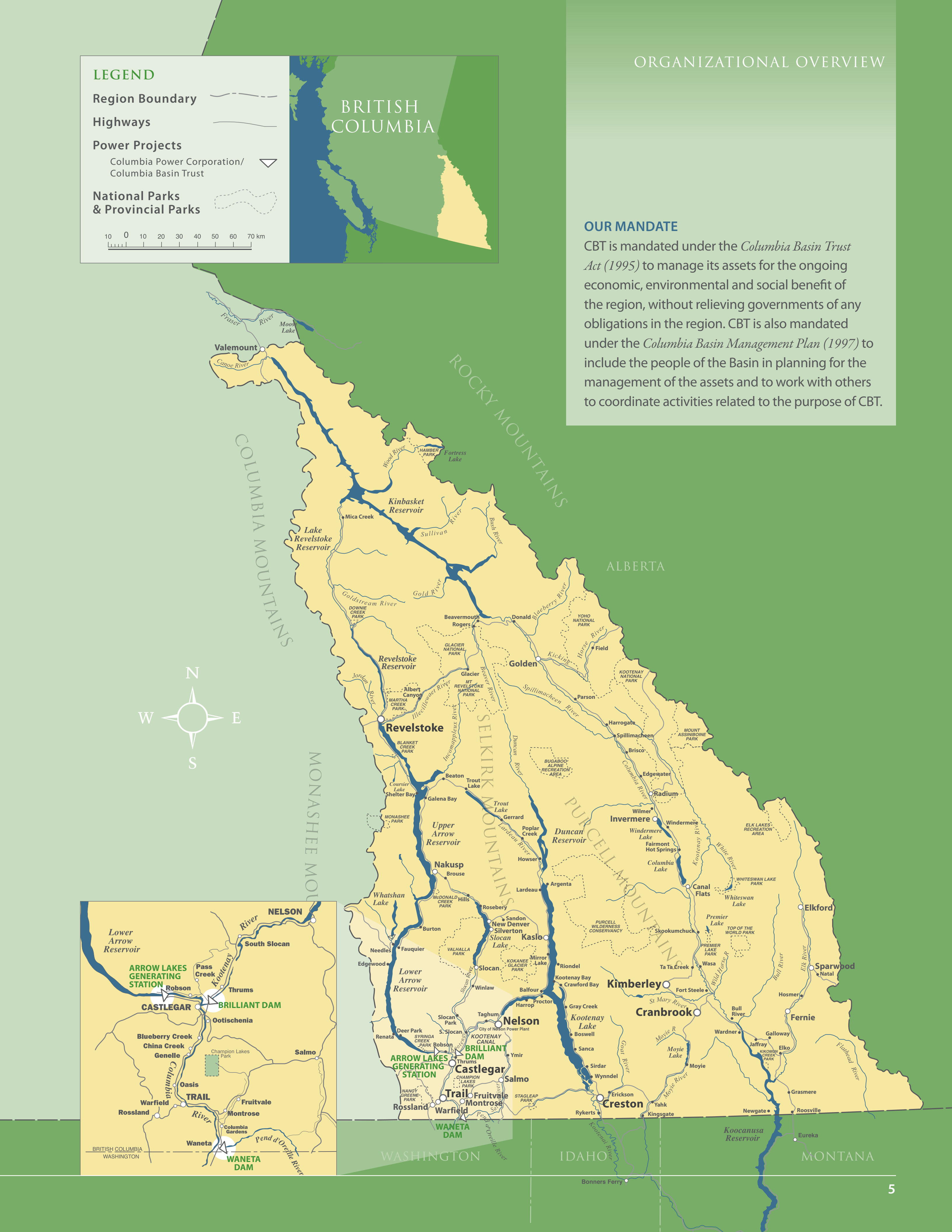
All significant assumptions, policy decisions, events and identified risks, as of June 18, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets made since the September 2009 service plan update was released and any significant limitations in the reliability of data are identified in the report.

Garry Merkel
Chair, Board of Directors

Neil Muth
President & CEO

OUR MANDATE

CBT is mandated under the *Columbia Basin Trust Act (1995)* to manage its assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region. CBT is also mandated under the *Columbia Basin Management Plan (1997)* to include the people of the Basin in planning for the management of the assets and to work with others to coordinate activities related to the purpose of CBT.



OUR MISSION

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

OUR VISION

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

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

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

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

OUR CORE FUNCTIONS

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

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

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

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

OUR CORE VALUES

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

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

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

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

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

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

INVESTING IN THE BASIN

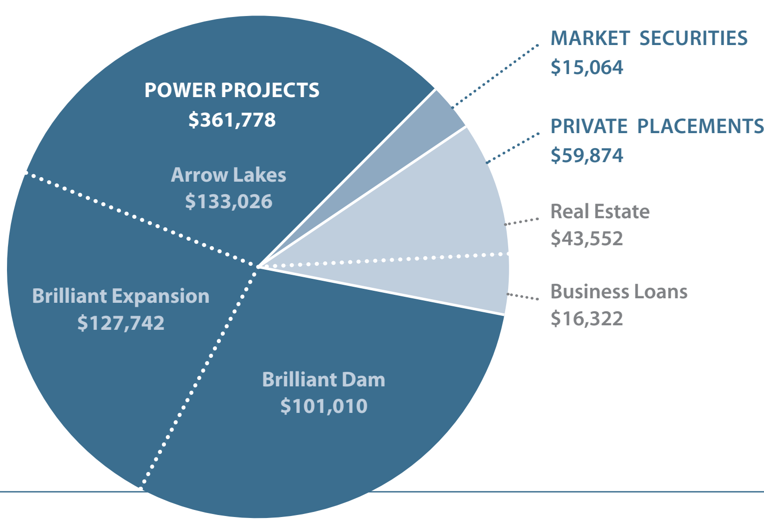
CBT's Investment Program prudently invests the $321 million endowment to deliver long-term benefits to Basin residents. Updated in the fall of 2009, CBT's *Statement of Investment Policy and Procedures* (SIPP) provides the necessary guidance to generate a predictable, sustainable and appreciating income stream to fund current and future Delivery of Benefits activities and corporate operating expenses. The SIPP details three general categories of eligible investments that CBT will pursue:

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

Predictable investment returns allow CBT to confidently forecast the amount of funds that will be available for Delivery of Benefits activities. Appreciating investment returns are required to offset the effects of inflation, as well as grow CBT's Delivery of Benefits and ensure future generations receive the same or greater benefit as do current residents.

POWER PROJECTS

The most significant portion of the Province's endowment to CBT was $276 million for investment in regional hydroelectric projects. The 1995 Financing Agreement with the Province commits CBT to investigating, (and if found to be commercially viable) developing and operating three regional hydroelectric projects in the Basin. Each of the projects is to be undertaken in partnership with Columbia Power Corporation (CPC).



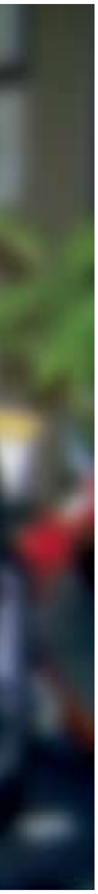
SUMMER WORKS PROGRAM

CBT launched the 2010 Summer Works Program, a Basin-wide wage subsidy pilot program for small business and social enterprise. By providing up to eight dollars an hour in wage subsidies, CBT has helped to create more than 100 summer student jobs in the region. Implemented to ease tough economic times, the subsidies will assist businesses with increased staff during a time when resources are tight, as well as provide summer employment opportunities for students.

CBT's Summer Works Program strengthens the economic well-being of the Basin, while addressing a current market need.

@ www.cbt.org/economic

Above: Suzanne, Owner/Operator of Kootenay Therapy Centre, trains Joy, the summer student she hired with funding support from CBT's Summer Works Program.



Brilliant Dam

Purchased in 1996, Brilliant Dam is located approximately eight kilometres from Castlegar, BC, on the Kootenay River. The facility was purchased for $130 million and the joint venture invested an additional $100 million to extend the life of the facility as well as increase generating capacity. The Brilliant Dam generates enough power to supply 100,000 homes. The majority of the energy is sold to Fortis BC under the terms of a 60-year contract.

Arrow Lakes Generating Station

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

Brilliant Expansion

In 2007, construction was completed on the Brilliant Expansion project, located on the east bank of the Kootenay River, downstream from the Brilliant Dam. The $245 million project utilizes water that would otherwise be spilled at the dam and generates enough power to supply 55,000 homes. Approximately 90 per cent of the electricity is sold to BC Hydro and the remaining ten per cent is sold on the open energy market.

Waneta Expansion

The joint venture partners have the rights to construct a new facility (expansion) downstream of Teck's Waneta Dam, outside Trail, BC. The Waneta Expansion Project is a large and complex proposal to develop a 335 MW generating station downstream from the existing Waneta Dam. In November 2009, CBT and CPC announced that the project would not be proceeding as originally planned, and that efforts would be undertaken to examine alternative business models to enhance the project's viability.

PRIVATE PLACEMENTS

Private Placements include any direct investment CBT makes in commercial entities located in the Basin region. CBT may invest by way of direct ownership (equity) or business lending (loans). The investments are broken into two general categories:

Real Estate

CBT has an ownership interest in eight senior's lifestyle facilities located in the Basin. Collectively, these properties contain more than 800 living suites and offer a range of support services depending on the needs of the residents.

Business Loans

CBT actively invests in Basin-based businesses by way of loans that are made in accordance with accepted market standards and generate financial returns consistent with the level of risk assumed. Managing investment risks is as important to CBT as generating returns. CBT therefore observes the principles of commercial market due diligence when investigating investment opportunities.

CBT Resources

Programs
Initiatives
Financial Information
Staff
Partnerships

Investments

Market Securities
Power Projects
Private Placements

Community

Arts, Culture & Heritage Program
Community Development Program
Community Initiatives and Affected Areas Programs
Endowments to Community Foundations
Scholarships
Sponsorship Program
State of the Basin Initiative

Social

Affordable Housing
Literacy
Non-profit Partnerships

MARKET SECURITIES

CBT's priority is investment opportunities in the Columbia Basin. However, given the limitations of investing in a small region, there is a balance of funds that is available for investment in a portfolio of Market Securities. In July 2008, CBT expanded its investment portfolio to include Market Securities. The portfolio is managed by British Columbia Investment Management Corporation (bcIMC) on behalf of CBT.

www.cbt.org/investments

Partnering with existing groups who have similar goals and complementary strengths, to develop and deliver benefits, enables CBT to accomplish its mission in the most meaningful and effective manner.

DELIVERING BENEFITS TO THE BASIN

Using the income earned from our Investment Program, CBT develops, implements and manages programs and initiatives that respond to community needs, working closely with Basin residents throughout this process. CBT is assisting communities to take action by:

- Providing resources and funding;
- Focusing on local priorities and issues;
- Bringing people together around key issues;
- Providing useful, credible, accessible information;
- Encouraging collaboration and partnerships; and,
- Seeking ongoing input from Basin residents.

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

One of CBT's strategies to fulfill on our Delivery of Benefits goals is to have vibrant Advisory Committees in place. In order to implement and develop programs and initiatives that respond to community needs, CBT connects with residents who volunteer their time on three core Advisory Committees in our mandated areas of social, economic and environment, as well as two Advisory Committees that provide advice on youth and water initiatives. These committees provide advice to CBT on a range of issues including:

- Regional issues and priorities for CBT;
- Goals and objectives for addressing identified issues and priorities;
- Strategies and activities for achieving goals and objectives; and,
- Other areas, as may be periodically requested.

Economic

Basin Business Advisors Program
Training Fee Support Program
Summer Works Program

Environment

Climate Change
Environmental Education
Environmental Initiatives Program
Land Conservation Program

Water

Water Governance
Water Quality
Water Quantity
Water Stewardship

Youth

Youth Development
Youth Engagement
Youth Grants and Programming

Helping Communities Take Action

REGIONAL VISITOR GATEWAY

The Nelson Chamber of Commerce is undertaking a landmark project for Nelson by restoring the CPR Station which will function as a new Visitor Gateway and will be an anchor for the revitalization of the entire western end of Baker Street. CBT is proud to provide $300,000 to restore this historic site that will have lasting economic benefits to residents and businesses. The development of the Regional Visitor Gateway dovetails with a city-wide development plan to enhance Nelson's waterfront, create a pedestrian corridor to the downtown business centre, and revitalize industrial areas.

REVITALIZING A VILLAGE

CBT has supported the Valemount downtown revitalization project with a total of $251,000 over three years through the locally delivered *Community Initiatives Program* (CIP). With the revitalization project complete, the Village hopes to change its industrial image to a mountain resort community with a mixed and diversified economy. CIP and the Affected Areas Program (AAP) are two of CBT's largest and longest running programs. This year CBT supported communities with $3.3 million.

"The community is excited about the significance of restoring the CP Rail station, adding another piece to Nelson's cultural diversity. Tourism opportunities will be maximized by developing a Regional Visitor Gateway."

CAL RENWICK, NELSON AND DISTRICT CHAMBER OF COMMERCE PRESIDENT.

Top: Revitalization efforts complete in downtown Valemount.
Photo: Future home of Nelson's Regional Visitor Gateway and transit hub.

KIMBERLEY CONVENTION CENTRE

CBT is providing $300,000 for the construction of Kimberley's new conference facilities, expected to be complete in the fall of 2010. The project will have a positive impact in the community and the region, providing long-term economic benefits to residents and businesses, as well as complementing the existing tourism market. The City of Kimberley has brought the community together in the face of the Sullivan Mine closure, and this project joins the many others they have successfully implemented to build the infrastructure to support their economic development strategy. The conference facility is part of their broader vision to become a North American leader in providing quality Paralympic training facilities. In early 2009, CBT provided $57,000 to help renovate Kimberley's curling facility, making it barrier-free. The curling rink is one of six sports venues to which updates are being made in order to create North America's only one-stop training destination for athletes of four Paralympics sporting events - wheelchair curling, sledge hockey, Nordic skiing and Alpine skiing.

> "The City of Kimberley appreciates the substantial commitment that Columbia Basin Trust made to this project. With CBT as a partner we were able to put shovels to ground; a major step in realizing the City's commitment to diversifying its economy."
>
> JIM OGILVIE, MAYOR

Above: Artist's rendering of the main lobby of Kimberley's Convention Centre.
Inset: Construction on Kimberley's Convention Centre began with shovels in the ground in October, 2009.

CORPORATE GOVERNANCE

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

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

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

SENIOR MANAGEMENT

Neil Muth, President and Chief Executive Officer
Wally Penner, Vice President, Community Partnerships
Johnny Strilaeff, Vice President, Investments
Sabrina Curtis, Director, Planning and Development
Kindy Gosal, Director, Water and Environment
Delphi Hoodicoff, Director, Communications
Christine Lloyd, Director, Finance and Operations

BOARD COMMITTEES

CBT's Board committees address issues on behalf of the Board of Directors and report back to the full Board on a regular basis. Committees assess their performance against their Terms of Reference annually. The Chair of the Board of Directors sits on all committees of the Board as an ex officio member with full voting rights. Membership of the committees as of March 31, 2010, was as follows:

Executive Committee

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

Audit Committee

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

BOARD OF DIRECTORS

A board of twelve directors governs CBT. The five regional districts of the Columbia Basin and Ktunaxa Nation Council each nominate a minimum of one and a maximum of four directors and the Province of BC nominates the remaining six directors. The Lieutenant Governor in Council makes all of the final appointments to the Board of Directors. All directors must reside in the Columbia Basin.

The Board of Directors is committed to effective and responsible governance. In addition to upholding CBT's core values, the Board acts in accordance with four general principles:

1. Preparation: Directors will ensure they are fully prepared to address the business of CBT.
2. Transparency: To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Columbia Basin residents.

Garry Merkel, *Chair*

Greg Deck, *Vice Chair*

Mike Berg

Denise Birdstone

Evelyn Cutts*

Richard (Kim) Deane

Taking Action on Water Issues

20%

BASIN-WIDE GOAL

to reduce domestic water consumption by 2015

WATER SMART INITIATIVE

CBT is partnering with 17 municipalities and two regional districts on the Columbia Basin Water Smart Initiative to address water conservation in the region. The initiative aims to reduce community water use across the Basin by 20 per cent by 2015. With one-on-one technical support from a Water Smart Team, communities will prepare, develop and monitor an action plan that will contribute to the overall Basin-wide target. CBT is committed to working with Basin residents to improve their understanding of and involvement in water issues. Water Smart is one of several water initiatives funded and delivered by CBT.

@ www.cbt.org/water

Photo: Representatives from the nineteen local governments who signed CBT's Water Smart Charter.

3. Participation and Commitment: Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.
4. Service: The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

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

@ www.cbt.org/governance

@ www.fin.gov.bc.ca/brdo/governance/corporateguidelines.pdf

* Evelyn Cutts, Jeanette Townsend and Loni Parker retired as Directors as of March 31, 2010. Cindy Gallinger, Ron Oszust and Bob Smith joined the Board of Directors as of April 1, 2010.

Ron Miles

Jim Miller

Loni Parker*

Paul Peterson

Jeannette Townsend*

Bill Trewhella

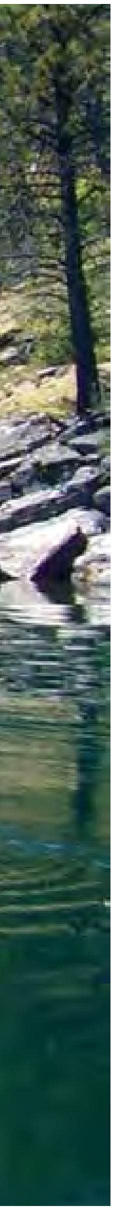
CBT's Land Conservation Program ensures that important pieces of land are preserved to provide social, economic and environmental significance to Basin residents for future generations.

Taking Action on Land Conservation

VALHALLA MILE AND SLOCAN ISLAND CONSERVATION
CBT provided $250,000 for the acquisition of the Valhalla Mile, a 155-acre (63 ha) private property adjacent to Valhalla Provincial Park. The land will be added to the Park, protecting the scenic, ecological, cultural and recreational values of the area. The addition of the Valhalla Mile to the Park is a critical step in protecting the area's unique Cedar Hemlock forest and a well-established movement corridor for grizzly bears. This acquisition is a result of cooperation between CBT, The Land Conservancy, the Valhalla Foundation, the government (via BC Parks), the regional district, and private citizens working together to acquire environmentally significant land. CBT also provided $138,000 to secure a 142-acre property in the Slocan Valley. The property is located in the Slocan River flood plain and has several distinguishable overflow channels intersecting the productive riparian site. The property is comprised of cottonwood forest, mixed conifer forest and wetland plant communities, and valuable rainbow trout rearing areas.

Above: Kayakers paddling on Slocan Lake.

DIRECTION FROM SHAREHOLDER'S LETTER	Comply with requirements to make public sector carbon neutral by 2010.
CBT ALIGNMENT	Corporate carbon neutral plan was developed in 2009/10 and implementation is now proceeding.



Investment Committee

Oversees the management of CBT investments and develops and reviews investment policies and procedures.
Membership: *Jim Miller (Chair), Denise Birdstone, Greg Deck, Ron Miles*

Delivery of Benefits Committee

Recommends an overall approach to returning benefits in the Basin to the Board, and is responsible for the administration of CBT's Community Development Program (CDP).
Membership: *Denise Birdstone (Chair), Evelyn Cutts, Kim Deane, Loni Parker, Bill Trewhella*

Water Initiatives Committee

Develops and oversees strategies to address water initiatives in the Basin.
Membership: *Evelyn Cutts (Chair), Mike Berg, Paul Peterson, Jeannette Townsend, Bill Trewhella*

BOARDS OF CBT'S SUBSIDIARIES

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

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

THE PROVINCE OF BC AND COLUMBIA BASIN TRUST

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

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 *Financial Agreement* and the *Columbia Basin Trust Act*. The *Shareholder's Letter of Expectations* further defines the roles and responsibilities of the Minister of Community and Rural Development and CBT.

Visit **www.cbt.org/sle** to view a copy of the Shareholder's Letter of Expectations.

In response to the government's climate change and carbon neutrality initiatives, CBT has developed a corporate Carbon Neutral Plan that incorporates short and long-term emissions reduction strategies as a means of reducing CBT's carbon footprint and improving its overall environmental sustainability. CBT also delivers various programs that support climate change and carbon neutral education and planning throughout the Basin.

Develop measures for evaluating overall Delivery of Benefits activities.	CBT Board members nominated by Regional Districts and the Ktunaxa Nation Council report to their respective nominating bodies.	Strive to work in a coordinated manner with the Province with respect to engaging Basin residents on Columbia River Treaty issues.
Key measure developed with baseline for targets to be established in 2010/11. Measures will also be developed for CBT's major initiatives.	CBT regularly communicates with Regional Districts and the Ktunaxa Nation Council, and annually offers to review the year's activities with these organizations.	Ongoing communication with the Province.

INVESTMENTS

GOAL

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

STRATEGIES

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

HIGHLIGHTS

This past year has been highlighted by a period of recovery in global financial markets and there is a cautious sense of optimism that the worst of the market breakdown is now behind us. Unprecedented government intervention played a significant role in assisting during the recovery. With much of this stimulus now fully in the system it is up to the core economy to carry the momentum forward.

The performance of CBT's investment portfolio is impacted by a wide range of factors. Macroeconomic conditions influence most of our regional industries, while interest rates and foreign exchange rates can also be expected to significantly affect our economy. Despite a level of uncertainty in most of these conditions, CBT's investment portfolio has generally performed well over the past year.

CBT's *Statement of Investment Policies and Procedures* (SIPP) provides the framework for our long-term investment strategy. Adhering to this strategy is critical to our long-term success and maintaining investment discipline during periods of market uncertainty will be key to realizing on our objectives. An example of this discipline can be found in our Market Securities portfolio. During our first year of investment in this portfolio, CBT experienced a significant loss due to the broad decline in worldwide financial markets. By maintaining our commitment to the strategies outlined in the SIPP, the portfolio was kept in form, experienced significant gains over the past year and recovered previous losses.

Interest rates continue to be near historic lows and this has had a negative impact on certain assets in our Private Placements portfolio. CBT lends directly to Basin-based businesses and many of these agreements include interest rates that are linked to the commercial "Prime" rate. Although beneficial to the borrowers, the low rate environment negatively impacts the returns CBT realizes on these investments.

Although low interest rates negatively impact our Business Loans, they have a positive impact on our investments in Real Estate. CBT borrows to enhance returns from our seniors' care facilities throughout the region. This strategy allows us to generate a higher rate of return, while also freeing up capital for investment in other assets.

Over this past year, investment staff have focused on building relationships with the financial community throughout the Basin. CBT has also continued to build on its relationship with Columbia Power Corporation (CPC) and we remain fully engaged during the pre-development stage of the proposed Waneta Expansion Project.

CBT is actively engaged in the Waneta Expansion investigations and management will continue to dedicate significant time and resources to exploring alternatives. It is uncertain whether these investigations will result in a feasible business model; however, should an opportunity be developed it would require final approval from the Boards of CBT, CPC, as well as the Province.

The Waneta Expansion Project is a significant undertaking for CBT and warrants the time and resources that have been dedicated to its development. Waneta has been a priority for management, and given the level of internal resources required, has resulted in the deferral of other development initiatives within CBT's Investment activities.

MEASURES

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

- **Power Projects** – Eight per cent calculated as a Cash Based Return on Investment
- **Private Placements** – Eight per cent calculated as a Cash Based Return on Investment
- **Market Securities** – Six per cent calculated as a Return on Investment.

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

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

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

RESULTS

All values used in the calculation of investment returns for Power Projects and Private Placements are obtained from CBT's 2009/10 audited financial statements. Returns were calculated by Accounting Staff and reviewed by Investment Staff. Returns for Market Securities were calculated in accordance with Global Investment Performance Standards by bcIMC.

Power Projects

The 7.69 per cent annual return from Power Projects was below our long-term eight per cent target; however, it was significantly stronger than the 6.90 per cent realized in the prior fiscal year. Total revenue from power assets increased to $21 million and each of the plants met or exceeded their annual financial targets. Both Arrow Lakes Generating Station and Brilliant Expansion experienced challenges shortly after their construction; however, the issues were successfully addressed and this past fiscal year is largely representative of a full year of generation.

The 7.69 per cent annual return from Power Projects was significantly stronger than the 6.9 per cent realized in 2008/09. All plants met or exceeded their financial targets.

Photo: Arrow Lakes Generating Station

Arrow Lakes Generating Station

The Arrow Lakes contribution of $6.8 million of revenue to CBT was slightly higher than the previous fiscal year due to lower interest costs and a modest increase in contracted energy sales. Generally, the plant performed to expectations with the exception of an outage to address shaft seal and transmission line repairs. Although unplanned, these repairs were efficiently addressed and the outage had a negligible impact on profitability.

All the power generated at the Arrow Lakes Generating Station is sold to BC Hydro under the terms of a 12-year contract that matures in 2015.

Brilliant Dam

The Brilliant Dam continues to perform well; notwithstanding that it is the oldest of CBT's three operating facilities. Revenue of $5.6 million was in line with forecasts and is materially unchanged from the prior fiscal year. The Brilliant Dam requires a higher level of ongoing maintenance given its age, and capital expenditures are forecast to be approximately $11 million over the next three years.

Brilliant Expansion

Brilliant Expansion generated $8.6 million in revenue to CBT, an amount significantly higher than our original forecast. Early commencement of a power purchase agreement with BC Hydro resulted in higher energy prices than would have otherwise been available in the open energy market. Results were further improved by lower operating costs, and increased entitlement energy as a result of redetermination following completion of the tailrace clean-up work.

Private Placements

The Private Placements portfolio generated an annual return of 8.29 per cent as compared to 8.34 per cent in the prior fiscal year. This category of investment includes CBT's investment in Real Estate projects, as well as our direct lending to Basin-based businesses.

Business Loans

Business Loans remain an active segment of our Investment portfolio. Over this past fiscal year, some 60 opportunities were reviewed and CBT approved $6.5 million in new lending. A further $4.2 million in opportunities are under evaluation.

Our loan to Kicking Horse Mountain Resort matured in March 2010 and negotiations are currently underway to restructure this loan in such a way as to meet the requirements of the resort, while respecting the risk tolerance and return expectations of CBT. Management expects to conclude the restructuring in spring 2010 and looks forward to a continued relationship with the resort.

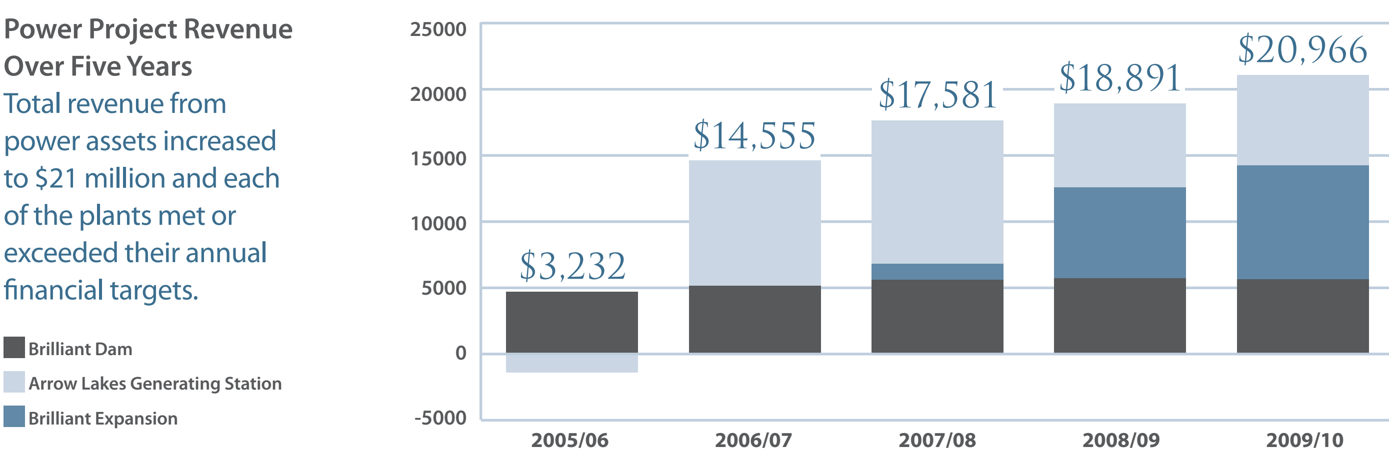
Notwithstanding interest rates that are near historic lows, CBT's return on Business Loans of 7.53 per cent was slightly higher than our original forecast. Management conducts an evaluation of loan quality each quarter and based on this evaluation has determined all loans are performing and are of acceptable risk. No specific loan loss provisions are required in this fiscal year.

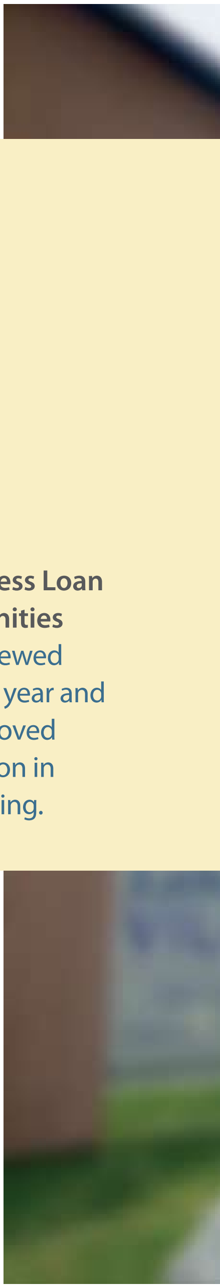
Real Estate

CBT's portfolio of seniors' care facilities remains a significant contributor to the success of our Investment Program. The 90-unit Lake View Village in Nelson, BC is the most recent addition to the portfolio, opening in the spring of 2010. The $14

Power Project Revenue Over Five Years

Total revenue from power assets increased to $21 million and each of the plants met or exceeded their annual financial targets.





Business Loan Revenue Over Five Years

2005/06	$880,900
2006/07	$878,000
2007/08	$1,509,000
2008/09	$1,049,000
2009/10	$1,307,000

Cash Based Return on Investment (as a %)

POWER PROJECTS

	2007/08	2008/09	2009/10
1 Year	6.62%	6.90%	7.69%
3 Year	6.36	7.67	7.07
5 Year	6.94	6.41	6.73
10 Year	7.43	7.26	7.10
Inception	7.43	7.38	7.40

PRIVATE PLACEMENTS

	2007/08	2008/09	2009/10
1 Year	12.76%	8.34%	8.29%
3 Year	9.26	10.05	9.77
5 Year	-1.65	6.36	8.88
10 Year	0.33	0.56	1.08
Inception	0.33	1.03	1.62

60 Business Loan opportunities were reviewed this fiscal year and CBT approved $6.5 million in new lending.

million facility is located a short distance from Kootenay Lake. The project was completed within budget and is fully leased.

The expansion to Castle Wood Village in Castlegar was also completed this past year. The addition of 33 living suites to the existing building makes this project CBT's largest seniors' care complex in the West Kootenay with 110 units. The $4.5 million expansion was completed on time and within budget and is now fully leased. With the Castle Wood expansion and completion of Lake View Village, CBT's portfolio of seniors' developments now includes more than 800 living suites in eight Basin communities.

Returns from Real Estate investments were relatively strong at 9.42 per cent. CBT will continue to actively pursue opportunities for growth in this category of investment and anticipates growing financial returns over time.

Market Securities

The global economic recovery which commenced in 2009 has had a positive impact on the performance of CBT's Market Securities portfolio. Although a recovery appears well underway, much of the improvement is attributable to unprecedented levels of monetary and fiscal stimulus from governments around the world. This level of spending is not sustainable and there is a level of uncertainty whether the core economy can continue expanding at current rates without direct government support.

bcIMC manages CBT's Market Securities portfolio and provides ongoing insight and support. It is anticipated that market conditions will continue to recover at a moderate pace; however, some short-term setbacks should be expected.

CBT's return from Market Securities was strong at 21 per cent and the losses incurred in our first year of investment have been fully recovered. It is difficult to predict short-term performance and it is important to note that CBT's investment in Market Securities is long-term in nature and intended to create value over time. CBT's investment in Market Securities is managed such that returns (either positive or negative) will not have an impact on short-term Delivery of Benefits expenditures.

Taking Action to Invest in Seniors' Housing

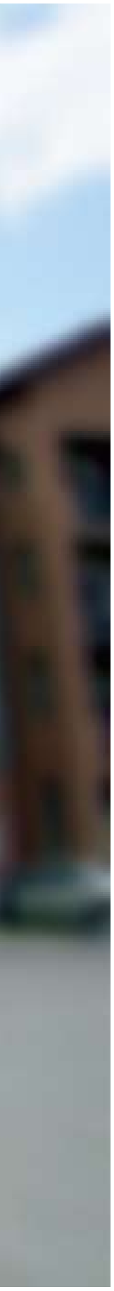
CBT's portfolio of seniors' care facilities remains a significant contributor to the success of our Investment Program, which supports our Delivery of Benefits activities. The 90-unit Lake View Village in Nelson is the most recent addition to the portfolio and opened in the spring of 2010. The expansion to Castle Wood Village in Castlegar was also completed this past year. The addition of 33 living suites to the existing building makes this project CBT's largest seniors' care complex in the West Kootenay with 110 units. Providing comfortable housing options and the security of various support systems to help seniors enjoy an active and independent lifestyle, these two additions increase CBT's portfolio of seniors' developments to include more than 800 living suites in eight Basin communities. All facilities are operated by our partner Golden Life Management.

@ www.cbt.org/investments
@ www.goldenlifemanagement.ca

"We realize that excellent senior's care and housing is a growing concern for Basin communities and we believe this is a way CBT can make a tangible impact for many families."

JOHNNY STRILAEFF, VP INVESTMENTS

Above: Recently completed, Lake View Village looks out over Kootenay Lake.
Inset: Residents, project partners and local officials attend the ribbon cutting ceremony for the expansion of Castle Wood Village.



DELIVERY OF BENEFITS

GOAL

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. **Complete a strategic plan that identifies priorities for work by CBT in the economic area. Implement programs, initiatives and activities to address the priorities identified in the social and environmental strategic plans.**
2. **Improve Basin residents understanding and involvement in water issues.**
3. **Work with youth in the Basin to ensure that they are actively engaged in addressing economic, social and environmental issues in the Basin.**
4. **Proactively identify and pursue opportunities to fundamentally strengthen the social, economic and environmental well-being of the Columbia Basin.**
5. **Have vibrant advisory committees in place.**

HIGHLIGHTS

In 2009/10, CBT continued to play a variety of roles within the region and by supporting projects, programs and initiatives disbursed $10.9 million in direct funding benefits to the Basin.

The Delivery of Benefits strategies reflect CBT's overarching strategic priorities and help to fulfill its broad mandate. A number of key outcomes were realized over the course of the year:

- Completed strategic planning to guide CBT's involvement in economic initiatives in the region;
- Expanded existing programs and developed new programs and partnerships to implement the social, economic and environmental strategic plans;
- Initiated collaborative efforts with local governments and agencies to build strategies toward community carbon neutrality, climate change adaptation and water conservation;
- Assisted communities in developing comprehensive strategies for youth engagement and youth services; and,
- Maintained vibrant advisory committees.

With strategic plans in place for key Delivery of Benefits areas and initiatives, CBT has focused on implementation in 2009/10. To date, CBT has maintained sufficient capacity to deliver on its priorities by adding staff resources and developing external relationships and partnerships.

Basin communities also continue to benefit from the direct assistance of CBT staff. By providing access to meaningful information and expertise, convening groups around key issues, facilitating collaboration among common interests, and acting as a resource for project development and implementation, CBT continues to help communities advance their priorities. Staff continually measure their progress against specific objectives and work plans and report accordingly to CBT's Board of Directors.

Due to CBT's increasing return on its investments, the annual amount of funding available to distribute in the region through Delivery of Benefits continues to increase. At a time when the economic climate is negatively impacting other granting organizations, CBT may experience a higher volume of requests for support. Ongoing engagement with diverse groups of Basin residents and organizations around current needs and issues, and reflecting on current information and trends relevant to the Basin, help CBT to proactively identify and pursue meaningful opportunities to fundamentally strengthen the social, economic and environmental well-being of the Basin.

While refining and monitoring progress against previously set priorities, CBT has also begun a process to renew its areas of strategic focus with input from Basin residents. CBT looks forward to finalizing three to five-year strategic priorities in the coming year.

MEASURES

Measuring CBT's performance in the area of Delivery of Benefits has been a long-standing challenge, given that the organization has a broad mission and mandate, plays a variety of roles, and its activities often have qualitative as opposed to quantitative outcomes. Over the past year, CBT has undertaken a comprehensive investigation of how it can better assess its performance in Delivery of Benefits.

Moving forward, a survey will be conducted every second year in order for the organization, Basin residents and the Province to understand how CBT's work is supporting efforts of residents and improving the well-being of the region. The survey will measure how residents' perceptions of CBT change over time, and in particular, assess whether residents feel that CBT is making a positive difference in their lives and communities. This approach will allow CBT to capture a sense of whether its key stakeholders feel that CBT is fulfilling its mandate and gain an understanding of the impacts of CBT's range of roles and its overall effectiveness. The initial survey results will be used to help set a baseline for future targets.

In recognition of the diversity of roles played by CBT and the range of outcomes the organization strives to create, CBT will also develop performance measures for each of its strategic initiatives, including its work in social, economic, environment, youth and water. This will be an iterative and phased process, in which measures are developed for a select number of initiatives each year.

While these measures are being implemented, CBT continues to assess the impacts and performance of Delivery of Benefits activities by evaluating programs and initiatives. As part of its annual planning, CBT chooses how many and which programs to evaluate based on resource capacity and funding cycles. In managing how the work is conducted, CBT typically hires external consultants and encourages that a range of data collection and stakeholder engagement strategies be used. Results generated assist management and the Board of Directors to understand the influence of CBT's programs in the region, identify opportunities to improve program delivery, and guide future program directions. Given that this measure is very specific to CBT's context, no benchmarking comparisons are made.

The 2009/10 performance target for Delivery of Benefits was to evaluate at least one program.

RESULTS

Evaluations in two areas of long-running involvement by CBT were initiated in the past year: literacy planning and CBT's Youth Initiatives.

In partnership with the Province of BC and 2010 Legacies Now, CBT is supporting an evaluation of the community development model of literacy planning and stewardship in order to understand the impacts of that process in communities. One of CBT's long-time partners, the Columbia Basin Alliance for Literacy (CBAL), promotes lifelong learning and literacy throughout the Basin, and

BASIN CULTURE TOUR

Last year, CBT in partnership with Columbia Kootenay Cultural Alliance, hosted the first annual Columbia Basin Culture Tour. The one-day event took place in communities across the Basin, creating an opportunity for residents to meet and talk with artists, writers, historians, shop for fine art and crafts, and learn more about the region through exhibitions and interpretive displays.

@ www.cbculturetour.com
@ www.basinculture.com

Photo: Residents admiring artist's work at the 2009 Basin Culture Tour.

has been a key participant in working with a community development model of literacy planning and stewardship in the Basin region. The evaluation will provide CBT and CBAL with valuable information on the relationship between community development and literacy and is expected to be complete by fall 2010.

The first phase of evaluating CBT's Youth Initiatives included a structured internal review of the mandate, goals, structure and guiding principles. While the review will continue into 2010/11, early outcomes have reinforced the importance of working with the entire community when addressing youth issues and ensuring that youth are actively engaged and fully participating in their communities. The second phase of this evaluation will involve consultation with a range of diverse Basin communities for their input on CBT's youth programming.

CBT also ensures effective ongoing management and monitoring of its Delivery of Benefits activities. CBT maintains relationships with a variety of partners responsible for administering and or delivering programs and initiatives. Where multi-year contracts are in place to provide greater program consistency and partner stability, CBT regularly measures progress against any established success indicators and reviews contracts annually to ensure any program risks are appropriately addressed.

YOUTH ACTION SUMMIT

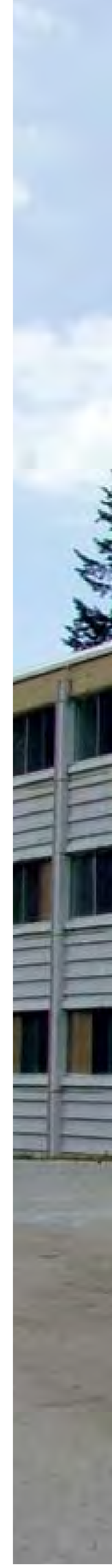
CBT helped support the efforts of local youth to host a Youth Action Summit this spring. The event was based on experiential learning, led by youth for youth. This gave them the skills, knowledge and experience to engage peers or the greater public from their schools and communities in taking action and creating a healthier global society.

@ www.cbt.org/youth

Photo: Youth engaging and discussing global, national and local issues.

Delivery of Benefits Program Evaluations

RESULTS	**2007/08** Community Initiatives Program evaluated, two other program evaluations commenced.	**2008/09** Basin Business Advocates and Environmental Initiatives Programs evaluated; two previously initiated evaluations concluded.	**2009/10** Evaluations of literacy planning and Youth Initiatives commenced.
	Increased funding and three-year commitment to Community Initiatives Program; Training Fee Support Program and Arts, Culture & Heritage evaluations continued.	Recommendations help CBT assess the impact and performance of its programs; administrative and delivery improvements implemented and financial commitments renewed to each program.	Recommendations will help CBT assess the impact and performance of its programs and initiatives, determine future directions and identify areas for administrative and delivery improvements.
TARGETS	**2009/10** At least one program evaluated.	**2010/11** *Baseline to be set in 2010/11*	**2011/12** *Baseline to be set in 2010/11*



CORPORATE OPERATIONS

GOAL

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

STRATEGIES

1. **Develop a formal risk management framework.**
2. **Complete a comprehensive review of CBT's current information management system (the internal tracking and reporting mechanism for Delivery of Benefits funding) and implement required changes.**
3. **Develop a formal communications strategic plan.**
4. **Develop a formal corporate Carbon Neutral Plan.**

HIGHLIGHTS

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

Over the past year, CBT took a number of steps to improve the management of its Corporate Operations, including:

- Investigating and implementing changes to CBT's information management system to address and mitigate risks;
- Initiating a process to develop a communications strategic plan;
- Implementing CBT's corporate Carbon Neutral Plan; and,
- Implementing a new loan administration system, integrated with our loan accounting system which will mitigate loan administration risk and provide a better platform for audit review.

While work on some of the above strategies will continue and move further into implementation, CBT will now look to build on the foundation of Corporate Operations by conducting a broad review of its various business processes that support its Delivery of Benefits activities and develop strategies and supports that acknowledge the importance of human resources to CBT.

MEASURES

CBT currently measures its corporate performance by way of corporate operating expenses (net of recoveries) as a percentage of revenues.

Over the past year, CBT investigated performance measures and comparative benchmarks that could provide a more meaningful indication of the effectiveness of CBT's Corporate Operations. Moving forward, CBT will be linking its overall goal for this business area to a few key measures that will provide insight into whether CBT's operations are facilitating Delivery of Benefits activities and its Investment Program, including maturity of both planning and risk management practices, and average budget variances and contributing factors.

CBT prepares forecasts of its revenues and Corporate Operations costs quarterly and reports out on its actual performance after fiscal year-end and once the external audit is complete. CBT forecasts are impacted by financial information provided by Columbia Power Corporation (CPC), the manager of our power projects.

RESULTS

In 2009/10, CBT's result of 18 per cent surpassed the original target of 19 per cent set in January 2009, as well as the updated forecast of 20 per cent, released in August 2009. This outcome is a result of total revenues from investments being higher than forecast and the cost of Corporate Operations being lower.

CBT is committed to assisting Basin communities to enhance their ability to effectively address affordable housing issues.

Taking Action on Affordable Housing

CBT is committed to assisting Basin communities to enhance their ability to effectively address affordable housing issues. For instance, the Affordable Housing Resources Program, a partnership with BC Non-Profit Housing Association, links communities and organizations with experienced consultants and with other communities or other organizations that have relevant experience. In addition, CBT provided more than $180,000 in funding for student residences at the Golden campus of College of the Rockies and Selkirk College's Tenth Street Campus.

@ www.cbt.org/social

Photo: Building on Selkirk College's Tenth Street Campus slated for renovations for student housing.
Inset: Students, project partners and local officials celebrate the opening of COTR House at College of the Rockies Golden Campus.

Corporate Operations (Net Of Recoveries) **as a Percentage of Revenues**

	2007/08	2008/09	2009/10	2010/11 and 2011/12
Results	16%	17%	18%	
Targets			20%	*Baseline to be set in 2010/11*

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SHOW US YOUR BASIN PHOTO CONTEST

Launched for the summer of 2009, CBT's "Show Us Your Basin" photo contest, received nearly 1,000 images from residents across the Basin. The images were narrowed down to ten finalists and residents were encouraged to vote online to choose the winning photo. Photos submitted represented the many great angles, views and stunning locations of the Basin region. In addition, most photographers submitted comments about what the Basin means to them. These comments were thoughtful and a true reminder that the Basin is a special place worth protecting, fostering and strengthening.

@ www.cbt.org/photocontest

MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion & Analysis provides management's perspective of the consolidated financial position and results of operations of Columbia Basin Trust for the year ended March 31, 2010. It should be read in conjunction with the audited consolidated financial statements and associated notes and material contained in the Annual Report. Forward looking statements contained in this discussion are based on management's beliefs and information currently available and are subject to risks and uncertainties. As such, actual results could differ materially from those set forth in this discussion.

Photo: "The Basin is just simply home. We all share this magical place and feel the inspiration it gives each of us every day." Krista Ecker, Nelson, BC.
Inset: "A beautiful outdoor wonderland in my own backyard!" Freya Rasmussen, Revelstoke, BC.

CORPORATE OVERVIEW

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

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

CBT invests in three major categories:

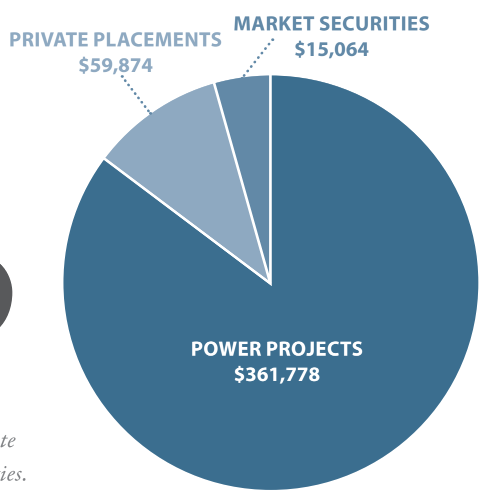
1. **Power Projects:** Hydroelectric power projects located in the Basin.
2. **Private Placements:** Direct investments and loans to Basin-based commercial businesses.
3. **Market Securities:** A diversified investment portfolio of publicly-traded financial instruments including short-term deposits,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

THE TOTAL OF CBT'S INVESTMENTS:

436

MILLION DOLLARS

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



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

RESULTS OF OPERATIONS

The summary financial information is prepared on a consolidated basis. CBT has a number of subsidiaries which are holding companies that retain its power and non-power investments. The summary financial information is not provided on a subsidiary level, as revenues are reported by major category of investment and the subsidiaries are simply holding companies for those categories of investment. All revenues are reported on a gross basis with the exception of joint venture revenues, which are net of joint venture expenses.

CBT continues to experience strong financial performance as total revenues have increased to $26 million from $24.1 million in 2008/09.

This was a result of increased revenues from both Power Projects and Private Placements. All three power projects are fully operational and a combination of lower operating expenses and higher energy sales increased net revenues from Power Projects by $2.0 million. A rise in the placement of Business Loans and a full year of operations at Mountain Side Village increased revenues from Private Placements by $302,000. Income Securities experienced a decrease in revenues of $450,000 from 2008/09, due to a combination of lower balances held throughout the year and continued

2009/10 KEY EVENTS

Provided
a total of $10.9 million to Basin communities through a range of social, economic and environmental programs, initiatives and services.

Excess of revenues
over expenses was $12.8 million compared to $8.3 million in 2009.

Investments
in Private Placements grew by $4.6 million in 2010 to $59.6 million, compared to $55 million in 2009.

Stabilizing economies
and financial markets had a direct impact on CBT's Market Securities portfolio increasing the market value to $15 million, resulting in an unrealized gain of $2.4 million, compared to an unrealized loss of $2.8 million in 2009.

RESULTS OF OPERATIONS[1]

(in thousands)

	2009/10	2008/09	Variance Amount	Variance %
Revenues				
Power Projects	$20,966	$18,891	$2,075	11.0
Private Placements	1,780	1,478	302	20.4
Income Securities	1,090	1,540	(450)	-29.2
Market Securities	258	208	50	24.1
Contributions from the Province of BC	2,000	2,000	-	0.0
	26,094	24,117	1,977	8.2
Operating Expenses				
Staff Remuneration and Development	3,549	3,129	420	13.4
General Operating Expenses	2,030	1,802	228	12.7
	5,579	4,931	648	13.1
Recoveries	859	804	55	6.8
Delivery of Benefits	10,859	8,976	1,883	21.0
Excess of Revenues Over Expenses Before Other Items	10,515	11,014	(499)	-4.5
Unrealized Gain (Loss) on Market Securities	2,355	(2,758)	5,113	-
Excess of Revenues over Expenses	$12,870	$8,256	$4,614	55.9

1. This financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles.

decreasing interest rates. The increase of 13.1 per cent in operating expenses is primarily due to a budgeted increase in staffing levels. CBT is also continuing to see an increase in professional and consultant fees due to the escalated requirement for areas of expertise required for both its Corporate Operations and Delivery of Benefits.

POWER PROJECTS

Power Projects revenues are comprised of the net income received from the three hydroelectric power projects in which CBT is a fifty-fifty partner with Columbia Power Corporation (CPC). The three power projects were fully operational throughout the year and experienced little or no unplanned downtime for maintenance or repairs. This, combined with modest increases in energy prices and lower operating expenses, increased revenues from Power Projects to $21 million, an increase of $2.0 million from 2008/09.

PRIVATE PLACEMENTS

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

Developed
a corporate Carbon Neutral Plan that incorporates short and long-term emissions reduction strategies as a means of reducing CBT's carbon footprint and improving its overall environmental sustainability.

Conducted
an internal audit of the assessment of financial systems, controls and processes.

Completed
a review of CBT's Information Management System (IMS), an information technology software system that supports our Delivery of Benefits activities with budget control and administration, contract management and reporting.

Created
improved performance measures in both the Corporate Operations and Delivery of Benefits areas of the organization.

Approved
$6.5 million in new lending through CBT's Business Loans portfolio.

POWER PROJECTS

(in thousands)

	2009/10	2008/09	Variance Amount	Variance %
Brilliant Dam				
Revenues	$18,874	$18,610	$264	1.4
Expenses	13,311	12,947	364	2.8
Net Income	5,563	5,663	(100)	-1.8
Brilliant Expansion				
Revenues	15,263	12,220	3,043	24.9
Expenses	6,711	5,353	1,358	25.4
Net Income	8,552	6,867	1,685	24.5
Arrow Lakes Generating Station				
Revenues	16,643	16,324	319	2.0
Expenses	9,792	9,963	(171)	-1.7
Net Income	6,851	6,361	490	7.7
	$20,966	$18,891	$2,075	11.0%

PRIVATE PLACEMENTS

(in thousands)

	2009/10	2008/09	Variance Amount	Variance %
Real Estate	$473	$429	$44	10.3
Business Loans	1,307	1,049	258	24.6
	$1,780	$1,478	$302	20.4%

INCOME SECURITIES

(in thousands)

	2009/10	2008/09	Variance Amount	Variance %
Income Securities	$1,090	$1,540	$(450)	-29.2

MARKET SECURITIES

(in thousands)

	2009/10	2008/09	Variance Amount	Variance %
Realized Gain	$258	$208	$50	24.0
Unrealized Gain (Loss)	$2,355	$(2,758)	$5,113	185.4

Real Estate

Real Estate investments include CBT's ownership interest in seniors' care facilities located in eight Basin communities. Net income received from Real Estate investments increased slightly to $473,000 from $429,000 in the previous year. This increase is due to additional revenue being received from the completed Mountain Side Village located in Fruitvale, BC.

Business Loans

Over the past year, a total of $5.5 million was approved for new lending through our Business Loans portfolio. This resulted in an increase of $258,000 in revenues from 2008/09.

Income Securities revenues consist of interest revenue from a portfolio of short-term deposits held at financial institutions within the Basin. Revenues decreased this year due to continuing low interest rates and decreased balances throughout the year, as cash is used for Delivery of Benefits commitments or corporate operating expenses.

In July 2008, CBT invested $15 million into a diversified securities portfolio of investments which includes short-term deposits, bonds and equities. This portfolio is managed by British Columbia Investment Management Corporation. Realized and unrealized gains or losses are recorded in net earnings in the period they arise. In 2009/10 CBT had $258,000 of realized revenues from its Market Securities portfolio. A rebound in the financial markets in 2009/10 increased the market value of this portfolio to $15 million and CBT recorded an unrealized gain of $2.4 million in 2009/10.

OPERATING EXPENSES

Operating expenses increased slightly, with the majority of the increase attributable to staff remuneration and development. CBT increased staffing in two areas of Delivery of Benefits and all increases were part of CBT's operating plan and budget.

RECOVERIES

Recoveries are received from CPC for information technology services, reception services and rental income. These recoveries are expected to stay constant over the next three years. Recoveries are also received from CBT's Power Projects subsidiaries for management services. These recoveries may vary from year-to-year based on actual time management spends on related Power Projects matters.

CAPITAL EXPENDITURES
(in thousands)

	Actual 2009/10
Arrow Lakes Generating Station	$165
Brilliant Expansion	568
Waneta Expansion Project	5,253
Brilliant Dam	1,434
Real Estate Investments	7,024
CBT Corporate Assets	315
	$14,759

DELIVERY OF BENEFITS

Funds used to benefit communities increased this year by $1.9 million to $10.9 million through a range of activities. CBT accounts for its Delivery of Benefits disbursements on a cash basis for financial reporting purposes. In addition to disbursing $10.9 million this year, CBT has an additional $4.5 million in outstanding financial commitments in Delivery of Benefits activities as of March 31, 2010. These commitments have been approved and have either not yet been disbursed, are linked to specific timeframes and accountabilities or represent a portion of funds held back until CBT is satisfied that projects are complete.

RETURN ON INVESTMENTS

CBT experienced a 7.69 per cent annual return from Power Projects, which was below our 8 per cent performance target. However, it was significantly stronger than the 6.9 per cent return realized in 2008/09.

The Private Placements portfolio generated an annual return of 8.29 per cent, compared to 8.34 per cent in 2008/09. This portfolio consists of investments in both Real Estate and Business Loans. The return from Business Loans totalled 7.53 per cent, while the returns from Real Estate totalled 9.42 per cent.

CBT's return on Market Securities was strong at 21 per cent. The losses that CBT incurred in 2008/09 have been fully recovered. This portfolio is considered long-term in nature and is intended to create value over time.

LIQUIDITY & CAPITAL RESOURCES

DIVIDENDS

Throughout the year, CBT received $15.4 million in dividends from its Power Projects and $1 million from its joint venture Real Estate projects. These funds have been placed in Income Securities until they are required for regional investment opportunities, Delivery of Benefits obligations or corporate operating expenses.

CAPITAL EXPENDITURES

CBT classifies capital expenditures according to key projects and investments. The figures in the table represent CBT's share.

Total capital spending during the year was $14.5 million. Almost all of these funds were invested in Power Projects or Real Estate investments. The major component of the capital expenditures for Power Projects was for development activities in Waneta Expansion. All other Power Projects expenditures were for planned regular upgrades and sustaining capital expenditures. Total capital spending for Real Estate investments was $6.8 million and resulted from construction and completion of Lake View Village in Nelson, BC and new construction of the Castle Wood Village Expansion located in Castlegar, BC.

CBT corporate assets consist of the Castlegar building, leasehold improvements, office furniture and equipment, and information technology equipment. In 2009/10, CBT entered into long-term agreements with Columbia Mountain Open Network, the Town of Golden and the City of Cranbrook for dedicated strands of fibre optic cable. These dedicated strands will enhance office connectivity, improving data, voice and video communications with each of the offices, as well as enable off-site data backup. CBT also purchased new information technology equipment as part of its technical infrastructure standardization strategy.

Above: Brilliant Dam and Brilliant Expansion.

MAJOR FACTORS, RISKS & OPPORTUNITIES

DELIVERY OF BENEFITS

This year, CBT completed a review of its Information Management System (IMS). The IMS is an information technology software system that supports our Delivery of Benefits activities with budget control and administration, contract management and reporting. In addition to creating a new user-friendly interface, new reporting templates were developed to provide relevant and timely information to be used for internal and external reporting purposes.

Both the social and environmental program areas proceeded with implementation of their strategic plans and have developed new partnerships and expanded program areas. A new three-year strategic plan has been developed to help guide CBT's involvement in economic initiatives within the Basin, and an additional staff person was hired to oversee this area. CBT also added staff capacity within its Youth Initiatives and refined the focus of this key strategic priority. The ongoing presence of staff in Basin communities has helped CBT to support community action in a timely manner.

PRIVATE PLACEMENTS

This year saw the completion of two new seniors' care facilities. Lake View Village is a 90-unit facility located in Nelson, BC. It was substantially completed in spring 2010 and is fully leased. Castle Wood Village Expansion was also substantially completed in spring 2010 and consists of an additional 33 living suites to the existing Castle Wood Village building. This facility is expected to open in May 2010 and is fully leased.

CARBON NEUTRALITY

In 2009/10, CBT continued its efforts to develop a formal Carbon Neutral Plan that included the development of short and long-term emissions reductions strategies. A comprehensive review of all buildings owned or leased by CBT was undertaken that included identifying areas of opportunity for energy efficiency and emission reductions. Also, to assist with 2010 provincial reporting requirements, a baseline inventory was developed based on 2008 energy use data. An internal Carbon Neutral Action Team was established and awareness was raised through a survey and a carbon neutral education session that was held at our annual staff meeting.

INTERNAL AUDIT

This year, CBT engaged an external consultant to assess the effectiveness of the financial internal controls and processes, and make any recommendations for improvement. This review was completed in the fall of 2009 and a final report outlining recommendations was brought forward to management. These recommendations was minor in nature and highlighted how controls in certain areas could be strengthened and how the financial control framework could be more efficiently managed. The final report was presented to the Audit Committee and management moved forward with implementation of most recommendations.

This internal audit is the first stage of a more comprehensive internal audit plan that is being considered for other departments within the organization.

PERFORMANCE MEASURES

Development of new performance measures was completed in 2009/10. This work was undertaken to create meaningful and relevant performance measures to assist CBT in assessing whether it is meeting its objectives and expectations. New performance measures were developed for both Corporate Operations and Delivery of Benefits activities. The phased implementation of these performance measures is now underway and CBT expects to start reporting out on these in the next fiscal year.

INTEREST RATE RISK

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

COMPARISON TO SERVICE PLAN

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

REVENUES

Early commencement of a power purchase agreement with BC Hydro, combined with lower operating expenses, pushed revenues from Power Projects to $2 million higher than forecast in the *2009/10 Service Plan*. Income Securities

COMPARISON TO SERVICE PLAN
(in thousands)

	Actual	Service Plan	Variance	Three Year Forecasts		
	2009/10	2009/10	Amount	2010/11	2011/12	2012/13
Revenues						
Power Projects	$20,966	$19,010	$1,956	$21,426	$23,019	$24,207
Private Placements	1,780	1,739	41	1,534	1,532	1,741
Income Securities	1,090	1,280	(190)	1,280	1,280	1,280
Market Securities	258	125	133	125	125	125
Contributions from the Province of BC	2,000	2,000	-	2,000	-	-
	26,094	24,154	1,940	26,365	25,956	27,353
Operating Expenses						
Staff Remuneration and Development	3,549	3,539	10	3,908	4,098	4,298
General Operating Expenses	2,030	2,243	(213)	2,343	2,443	2.543
	5,579	5,782	(203)	6,251	6,541	6,841
Recoveries	859	918	(59)	697	600	600
Delivery Of Benefits	10,859	12,000	(1,141)	15,000	15,000	15,000
Excess of Revenues Over Expenses Before Other items	10,515	7,290	3,225	5,811	5,015	6,112
Unrealized Gain On Market Securities	2,355	945	1,410	1,220	1,590	1,980
Excess Of Revenues Over Expenses	$12,870	$8,235	$4,635	$7,031	$6,605	$8,092
Capital Expenditures	$14,488	$12,578	$1,910	$5,931	$2,849	$1,895

revenues were lower than forecast due to lower average balances and decreased interest rates.

DELIVERY OF BENEFITS

In addition to disbursing $10.9 million in 2009/10, CBT also has an additional $4.5 million in outstanding financial commitments for the Delivery of Benefits activities as of March 31, 2010. These commitments have been approved and have either not yet been disbursed, are linked to specific timeframes and accountabilities, or represent a portion of funds held back until CBT is satisfied that projects are complete.

UNREALIZED GAIN ON MARKET SECURITIES

Due to a significant recovery in the financial markets this year, CBT's Market Securities portfolio has increased in market value to $15 million. As CBT accounts for these financial instruments as a held-for-trading asset, changes in fair market value are recorded in net earnings in the period they arise. This treatment resulted in an unrealized gain on Market Securities of $2.4 million this year.

CAPITAL EXPENDITURES

Total capital expenditures were more than anticipated due to the construction of a new project in Real Estate investments.

FUTURE OUTLOOK

REVENUES

Over the next three years, CBT is expecting its overall revenues to moderately increase. Power Projects revenues are expected to continue to increase, as the majority of these revenues are based on escalating increases included in fixed long-term power sales agreements. Revenues from Private Placements are expected to continue to increase as new loans are advanced.

The Provincial Contribution of $2 million is an annual operating grant which the Province agreed to provide to CBT until 2010/11. The final instalment was made in April 2010. In the absence of this grant, CBT anticipates that its revenues from investments will be sufficient to fulfill its Delivery of Benefits obligations and finance its own operations.

DELIVERY OF BENEFITS

The measurement of performance within the area of Delivery of Benefits has been a challenge as its activities are often qualitative as opposed to quantitative. CBT has now identified improved measures to help CBT assess its performance in this area. Implementation of these performance measures over the coming years will provide meaningful information about the impact and effectiveness of

FIVE YEAR REVIEW
(in thousands)

	2005/06	2006/07	2007/08	2008/09	2009/10
Revenues					
Power Projects	$3,456	$14,555	$17,581	$18,891	$20,966
Private Placements	1,005	1,224	1,840	1,478	1,780
Income Securities	563	1,498	1,872	1,540	1,090
Market Securities	-	-	-	208	258
Contributions from the Province of BC	12,110	1,996	2,089	2,000	2,000
	17,134	**19,273**	**23,382**	**24,117**	**26,094**
Operating expenses					
Staff Salary and Remuneration	2,787	2,491	2,752	3,129	3,549
General Operating Expenses	2,535	1,891	1,752	1,802	2,030
	5,322	**4,382**	**4,504**	**4,931**	**5,579**
Recoveries	692	453	713	804	859
Delivery of Benefits	4,156	5,256	5,350	8,976	10,859
Excess of Revenues Over Expenses Before Other Items	**8,348**	**10,088**	**14,241**	**11,014**	**10,515**
Unrealized Gain (Loss) on Market Securities	-	-	-	(2,758)	2,355
Excess of Revenues Over Expenses	**$8,348**	**$10,088**	**$14,241**	**$8,256**	**$12,870**

CBT's roles and activities in Delivery of Benefits and improve accountability both within and outside the organization.

STRATEGIC PRIORITIES

CBT will be looking to finalize the renewal of its organization-wide strategic priorities over the coming year. This will guide CBT's work in the region over a three to five-year period and will assist in directing staff and financial resources. Public input and review will help to shape the resulting priorities.

PERFORMANCE MEASURES

CBT has now identified improved measures to help CBT assess its performance in Delivery of Benefits. Implementation of these performance measures over the coming years will provide meaningful information about the impact and effectiveness of CBT's roles and activities in Delivery of Benefits and improve accountability both within and outside of the organization.

HUMAN RESOURCES

CBT chooses to fulfill its mandate in part by ensuring that Basin residents, groups and communities have access to CBT staff for direct assistance within existing programs and initiatives, and for guidance and support on community needs. As CBT must continue to retain and attract skilled employees, the effective management of human resources will remain an important focus for CBT. Over the next year, CBT will continue to prioritize the development of human resource strategies and processes and ensure that it has adequate internal capacity to meet its strategic goals and objectives.

CARBON NEUTRALITY

Looking forward to 2010/11, CBT will begin implementing some recommendations that arose from the energy assessment and will continue to assess ways to reduce emissions. CBT will also continue to support regional and community efforts to reduce greenhouse gas emissions through its Delivery of Benefits activities. CBT will also continue to encourage staff to implement actions to reduce their emissions through a variety of behavioural changes and smart business travel practices.

INVESTMENTS

CBT will continue to remain actively engaged in exploring the development of a feasible business model for the proposed Waneta Expansion project. The final approvals of any proposals are required from the Boards of both CBT and CPC, as well as the Province of BC. It is premature to speculate when such approvals will be sought.

Investment staff will continue to focus on building relationships with the financial communities in the Basin, as these relationships are critical to the success of the Private Placements portfolio. Staff will continue to actively pursue opportunity for growth within this portfolio and anticipate growing financial returns over time.

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RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Neil Muth
President & Chief Executive Officer

Christine Lloyd
Director, Finance & Operations

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Community and Rural Development:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2010 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, 2010 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.

Castlegar, BC
May 28, 2010

CHARTERED ACCOUNTANTS [1]

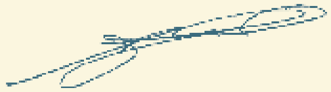
[1] By Ronald K. Anderson, CA, Auditor

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31 *(in thousands)*	**2010**	**2009**
ASSETS		
CURRENT		
Cash (Note 4)	$ 14,333	$ 14,812
Unbilled power projects revenue	5,196	5,117
Accrued interest and other assets	5,201	5,980
	24,730	25,909
INVESTMENTS		
Power projects (Note 5)	361,778	368,594
Private placements (Note 6)	59,874	55,030
Income securities (Note 7)	44,892	36,463
Market securities (Note 8)	15,064	12,451
	481,608	472,538
OTHER		
Capital assets (Note 9)	2,838	2,873
Deferred amounts (Note 10)	34,492	29,239
	37,330	32,112
	$ 543,668	$ 530,559
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 3,935	$ 4,020
Accrued interest expense	2,592	2,724
Current portion of long-term debt (Note 11)	23,919	22,331
	30,446	29,075
LONG-TERM DEBT		
Long-term debt (Note 11)	124,365	125,497
	154,811	154,572
NET ASSETS		
Power projects (Restricted) (Note 15)	281,225	277,331
Unrestricted	107,632	98,656
	388,857	375,987
	$ 543,668	$ 530,559

COMMITMENTS (Notes 13 and 17), **CONTINGENCIES** (Note 14) and **SUBSEQUENT EVENTS** (Note 20)

Approved on behalf of the Board of Directors:



Garry Merkel
Chair

Mike Berg
Chair, Audit Committee

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDING MARCH 31 *(in thousands)*	**2010**	**2009**
REVENUES		
Power projects (Note 5)	$ 20,966	$ 18,891
Private placements (Note 6)	1,780	1,478
Income securities	1,090	1,540
Market securities (Note 8)	258	208
Contributions from the Province of BC	2,000	2,000
	26,094	24,117
OPERATING EXPENSES		
Amortization	361	337
Board and committee expenses	216	195
Corporate travel and meetings	243	209
Communications	355	306
Information technology/systems	208	227
Office and general	369	360
Professional and consultants fees	278	168
Staff remuneration and development	3,549	3,129
	5,579	4,931
RECOVERIES		
Recovery from Columbia Power Corporation (Note 16(a))	550	522
Recovery of management services (Note 16(b))	309	282
	859	804
DELIVERY OF BENEFITS (Note 17)	10,859	8,976
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEMS	10,515	11,014
UNREALIZED GAIN/(LOSS) ON MARKET SECURITIES (Note 8)	2,355	(2,758)
EXCESS OF REVENUES OVER EXPENSES	$ 12,870	$ 8,256

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Power Projects (Restricted)	Unrestricted	FOR THE YEARS ENDING MARCH 31 *(in thousands)* 2010	2009
NET ASSETS, beginning of year	$ 277,331	$ 98,656	$ 375,987	$ 367,731
Accumulated power projects cash available for distribution	3,894	(3,894)	-	-
Excess of revenues over expenses	-	12,870	12,870	8,256
NET ASSETS, end of year	$ 281,225	$ 107,632	$ 388,857	$ 375,987

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

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEARS ENDING MARCH 31 *(in thousands)*	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from power projects joint ventures	$ 50,778	$ 47,155
Cash paid for power projects joint ventures operating expenses	(20,209)	(21,253)
Cash received from private placements	4,586	3,958
Cash paid for private placements operating expenses	(1,610)	(1,404)
Cash received from income securities	1,091	1,709
Cash received from market securities	258	208
Cash received from the Province of BC	2,000	2,000
Cash paid for operating expenses	(4,311)	(3,249)
Cash paid for Delivery of Benefits	(10,859)	(8,976)
	21,724	20,148
CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(2,359)	(10,157)
Investment in real estate projects	(5,721)	(6,842)
Issuance of business loans	(2,238)	(7,194)
Repayment of business loans	3,163	579
Purchase of income and market securities	(8,687)	(6,287)
Purchase of capital assets	(326)	(661)
Investment in deferred power projects costs	(6,135)	(3,999)
	(22,303)	(34,561)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Proceeds from placement of debt	11,741	13,127
Repayment of debt	(11,641)	(6,572)
	100	6,555
DECREASE IN CASH	(479)	(7,858)
CASH, beginning of year	14,812	22,670
CASH, end of year	$ 14,333	$ 14,812

COLUMBIA BASIN TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING MARCH 31, 2010
(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. CBT's investment in joint ventures is consolidated on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(c) Measurement Uncertainty

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

(d) Financial Instruments

CBT has designated its financial instruments as follows:

Held-for-trading

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

Loans and receivables

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

Other liabilities

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

(e) Real Estate Investments

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

(f) Capitalization and Amortization

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

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

(g) 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.

(h) 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.

(i) Deferred Debt Issue Costs

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

(j) Revenue Recognition

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

(k) Taxes

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

3. JOINT VENTURES

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

		2010		2009
Assets				
Current	$	20,578	$	19,705
Investments		404,447		412,904
Other		34,478		29,239
	$	459,503	$	461,848
Liabilities				
Current	$	29,679	$	28,968
Long-term debt		124,365		125,498
		154,044		154,466
Net Assets				
Power and non-power projects investments		305,459		307,382
	$	459,503	$	461,848
Net Income				
Revenues	$	54,302	$	50,290
Operating expenses		(23,682)		(21,412)
Finance charges		(9,175)		(9,545)
	$	21,445	$	19,333
Cash Flows				
Operating activities	$	32,277	$	27,437
Investing activities		(14,215)		(20,998)
Financing activities		100		6,555
	$	18,162	$	12,994

4. CASH

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

		2010		2009
Restricted Cash	$	799	$	319
Non-Restricted Cash		13,534		14,493
	$	14,333	$	14,812

5. POWER PROJECTS

CBT participates in power projects through joint ventures with Columbia Power Corporation (CPC), a Crown Corporation. CBT's interest in power projects is as follows:

		2010		2009
Brilliant Dam	$	101,010	$	102,053
Arrow Lakes Generating Station		133,026		136,897
Brilliant Expansion		127,742		129,644
	$	361,778	$	368,594

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

POWER PROJECTS ASSETS ARE AS FOLLOWS:

		Cost		Accumulated Amortization		2010		2009
Brilliant Dam								
Capital assets	$	121,942	$	(26,068)	$	95,874	$	96,854
Expansion rights		2,763		(171)		2,592		2,655
Land		2,544		-		2,544		2,544
		127,249		(26,239)		101,010		102,053
Arrow Lakes Generating Station								
Capital assets		149,149		(24,847)		124,302		127,217
Power sales contract		11,376		(6,348)		5,028		5,984
Land		3,696		-		3,696		3,696
		164,221		(31,195)		133,026		136,897
Brilliant Expansion								
Capital assets		123,456		(5,505)		117,951		119,591
Expansion rights		10,463		(672)		9,791		10,053
		133,919		(6,177)		127,742		129,644
	$	425,389	$	(63,611)	$	361,778	$	368,594

NET POWER PROJECTS INCOME CONSISTS OF:

		2010		2009
Revenues				
Sale of power	$	48,669	$	44,739
ecoEnergy grants		2,110		2,416
		50,779		47,155
Expenses				
Finance charges		7,599		8,142
Operation of powerplants		13,229		11,147
Channel repair costs		-		92
Amortization of power projects assets		8,985		8,883
		29,813		28,264
	$	20,966	$	18,891

CBT and CPC have entered into a contribution agreement with the Government of Canada to receive ecoENERGY power grants for a period of ten years. The grants are earned at the rate of $10 per megawatt hour and are based on sales of eligible energy generated by the Brilliant Expansion. The Brilliant Expansion is expected to produce adequate power over the ten year period of the contribution agreement to receive an entitlement of approximately $4.2 million per year. CBT's portion this year was $2.1 million (fiscal 2009 - $2.4 million).

6. PRIVATE PLACEMENTS

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

		2010		**2009**
Real estate	$	43,552	$	37,757
Business loans		16,322		17,273
	$	59,874	$	55,030

Real Estate

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

		Land		Building		**2010**		**2009**
Operating facilities	$	2,113	$	37,095	$	39,208	$	35,426
Projects under development		-		8,970		8,970		5,725
Less: Accumulated amortization		-		(4,626)		(4,626)		(3,394)
	$	2,113	$	41,439	$	43,552	$	37,757

Projects under development consist of one new seniors' care facility and expansion of an existing facility. The construction of Lake View Village located in Nelson, BC consists of 90 living suites and was substantially completed in the spring of 2010. The construction of the Castle Wood Village Expansion consists of an additional 33 living suites at the existing Castle Wood Village located in Castlegar, BC and was substantially completed in the spring of 2010.

Business Loans

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

		2010		**2009**
Business loans	$	16,437	$	17,362
Less: Loan loss allowance		(115)		(89)
	$	16,322	$	17,273

Maturity Terms

		Under 1 Year		1 to 5 Years		5 to 10 Years		**2010** Total
Business loans	$	7,342	$	7,268	$	1,827	$	16,437
Less: Loan loss allowance		-		-		(115)		(115)
	$	7,342	$	7,268	$	1,712	$	16,322

The loan to Kicking Horse Mountain Resort in the amount of $5.6 million matured in March 2010 and negotiations are currently underway to restructure this loan. Restructuring is expected to be complete in spring 2010.

PRIVATE PLACEMENTS INCOME CONSISTS OF:

	2010	2009
Real estate		
Revenues	$ 3,312	$ 2,939
Finance charges	(1,576)	(1,403)
Amortization	(1,263)	(1,107)
	473	429
Business loans	1,307	1,049
	$ 1,780	$ 1,478

7. INCOME SECURITIES

CBT's interest in income securities is as follows:

	2010	2009
Unrestricted		
Term securities	$ 38,333	$ 29,903
Restricted		
Debt service reserve fund	3,926	3,934
Operating reserve fund	1,348	1,341
Power agreement account	1,285	1,285
	$ 44,892	$ 36,463

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

8. MARKET SECURITIES

CBT's interest in market securities is as follows:

	2010	2009
Cost	$ 15,467	$ 15,209
Market value	$ 15,064	$ 12,451

In July 2008, CBT invested $15 million in a diversified securities portfolio which includes short-term deposits, bonds and equities. The portfolio is managed by BC Investment Management Corporation on behalf of CBT. A rebound in the financial markets has increased the market value of this portfolio to $15 million from $12.5 million in the previous year. Accordingly, CBT has recognized a realized gain of $258,000 (2009 - $208,000) and an unrealized gain of $2.4 million (2009 - loss of $2.8 million) on its Statement of Operations.

MARKET SECURITIES INCOME CONSISTS OF:

	2010	2009
Dividends/interest	$ 411	$ 282
Realized loss	(153)	(74)
	$ 258	$ 208

UNREALIZED GAIN/(LOSS) ON MARKET SECURITIES

	2010	2009
Opening balance	$ 12,451	$ -
Contributions	258	15,209
	12,709	15,209
Market value	15,064	12,451
Unrealized gain/(loss) on market securities	$ 2,355	$ (2,758)

9. CAPITAL ASSETS

CBT's interest in capital assets is as follows:

	Cost	Accumulated Amortization	2010	2009
Land	$ 70	$ -	$ 70	$ 70
Columbia Basin building	3,190	(977)	2,213	2,324
Office furniture and equipment	627	(447)	180	246
Leasehold improvements	631	(508)	123	170
Computer equipment	370	(214)	156	47
Computer software	53	(30)	23	16
Fibre rights	75	(2)	73	-
	$ 5,016	$ (2,178)	$ 2,838	$ 2,873

Fibre rights were acquired in 2009/10 as CBT entered into long term agreements with Columbia Mountain Open Network, the Town of Golden and the City of Cranbrook for the right to use dedicated strands of fibre optic cable.

10. DEFERRED AMOUNTS

CBT's interest in deferred amounts is as follows:

	2010	2009
Waneta expansion rights	$ 12,700	$ 12,700
Waneta deferred project costs	21,792	16,539
	$ 34,492	$ 29,239

The Waneta Expansion Project is a proposal to develop a 335 MW generating station downstream from the existing Waneta Dam. The Province purchased the expansion rights for $25.4 million in 1994 to undertake an expansion. CBT owns half of the hydroelectric power expansion rights. 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.

In November 2009, CBT and CPC announced that the Waneta Expansion project would not be proceeding as originally planned, and that both organizations would be exploring alternatives with a goal of developing a feasible business model. The final approval of any proposal is required from the Boards of both CBT and CPC, as well as the Province of BC.

Deferred amounts are based on management's estimate of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the viability of each project. Changes in significant assumptions underlying the future cash flow estimates of each project have a material effect on the project's economic viability.

		2010		2009
Waneta Deferred Project Costs:				
Project design	$	6,602	$	4,472
Environmental analysis		2,514		2,412
Socioeconomic analysis		238		238
Finance/legal analysis		1,783		1,296
CPC/CBT Management		10,655		8,121
	$	21,792	$	16,539

11. LONG-TERM DEBT

CBT's long-term debt is as follows:

		2010		2009
Power projects debt:				
Brilliant Dam bonds Series "A", "B", and "C", interest rates varying between 5.67% and 8.93%, maturing May 2026	$	72,737	$	74,906
Arrow Lakes bonds Series "A", bearing interest at 5.39%, maturing March 2015		27,224		31,442
Real estate debt:				
Mortgage loans, interest rates varying between 4.5% and 6.4%, maturing on different dates between March 2011 and September 2015		34,183		28,670
Loan from Columbia Power Corporation		16,253		15,268
		150,397		150,286
Less: Deferred debt issue costs		(2,113)		(2,458)
Less: Current portion of long-term debt		(23,919)		(22,331)
	$	124,365	$	125,497

(a) Brilliant Dam and Arrow Lakes Bonds

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

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

(b) Real Estate Debt

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

(c) Loan from Columbia Power Corporation

During the year, CPC advanced $5.5 million (fiscal 2009 - $8.9 million) in cash to the Brilliant Expansion Power Corporation (BEPC), a jointly owned corporation, to allow equity to be transferred from BEPC to another jointly owned corporation. The advance includes $85,000 (fiscal 2009 - $277,000) of accrued interest at March 31, 2010. BEPC repaid $4.6 million of the loan to CPC during the year.

Interest accrues at the same rate as applied to CPC for other short term borrowings from the Province of British Columbia. The loan, including accrued interest, is payable on demand. However, CPC will endeavour to provide reasonable notice to BEPC before making demand for repayment of the loan.

(d) Guarantees by joint venturers

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

(e) Principal repayments

Scheduled principal repayments are estimated as follows:

2011	$ 23,919
2012	8,137
2013	8,640
2014	9,174
2015	12,156
Thereafter	88,371
	$ 150,397

12. NON-RECOURSE CREDIT FACILITY

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

13. COMMITMENTS

(a) Power Projects Debt

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

(b) CBT Office

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

(c) Brilliant Expansion

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

(d) Private Placements

CBT has entered into various agreements to provide business loans under specified terms and conditions. As at March 31, 2010, the balance of committed financing, yet to be advanced, was $5.3 million.

14. CONTINGENCIES

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

CBT is contingently liable as a guarantor of its co-venturers' portion of certain real estate joint venture debt. As at March 31, 2010 the balance of the co-venturers' portion of the debt was $5.4 million (fiscal 2009 - $5.6 million).

15. NET ASSETS

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

16. RELATED PARTY TRANSACTIONS

(a) Columbia Power Corporation

CBT has entered into a contract for the provision of information systems servicing and support and reception services to CPC. During fiscal 2010, CPC paid $413,000 (fiscal 2009 - $382,000) under this agreement.

CPC rents a portion of the Columbia Basin Building which is owned by CBT. During fiscal 2010, CPC paid $137,000 (fiscal 2009 - $140,000) under this lease.

CPC advanced $5.5 million (fiscal 2009 - $8.9 million) in cash to BEPC, a jointly owned corporation, to allow equity to be transferred from Brilliant Expansion to another jointly owned corporation. BEPC repaid $4.6 million of the loan to CPC during the year.

(b) Power Projects Joint Ventures

Under the terms of their joint venture agreements, CBT and CPC 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%).

			2010		2009
(i)	Payments to CPC	$	7,641	$	7,666
(ii)	Payments to CBT	$	497	$	330

The joint venturers also paid $261,000 (fiscal 2009 - $254,000) to BC Hydro and Power Authority and $78,000 (fiscal 2009 - $87,000) to BC Transmission Authority, both for project consulting services provided at market rates (CBT's share is 50%).

17. DELIVERY OF BENEFITS

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

In addition to disbursing $10.9 million in 2009/10, CBT has an additional $4.5 million in outstanding financial commitments through Delivery of Benefits programs and initiatives at March 31, 2010. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

CBT has also entered into a number of multi-year commitments for program delivery over the next three years. As at March 31, 2010, CBT has $4.8 million committed for 2010/11 funding, $1.2 million for 2011/12 funding, and $1 million for 2012/13 funding.

18. FINANCIAL INSTRUMENTS

(a) Designation and valuation of Financial Instruments

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

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

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

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

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

(b) Risks

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Market risk

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

19. CAPITAL MANAGEMENT

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

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

	2010	2009
Total debt	$ 148,284	$ 147,828
Net assets	388,857	375,987
	$ 537,141	$ 523,815

20. SUBSEQUENT EVENTS

CBT and CPC have been in discussions with an unrelated third party regarding a proposed joint investment in the Waneta Expansion Project. On May 25, 2010, the Province instructed CPC to suspend discussions with the unrelated third party to give the Province time to review the proposed joint investment arrangement. This review is anticipated to be completed by June 30, 2010, and, at that time, direction will be provided to CPC on how the Province wishes to proceed. The outcome of this review and its impact on deferred costs is uncertain at this time.

21. COMPARATIVE FIGURES

Certain 2009 comparative figures have been reclassified to conform to the current year's presentation.

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