Financial Statements

Centra Gas Manitoba Inc.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheet as at March 31, 2012 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 28, 2012.

Chartered Accountants

CENTRA GAS MANITOBA INC.

STATEMENT OF INCOME

For the year ended March 31

	Notes	2012	2011
		millions of dollars	
Revenues			
Commodity		**197**	261
Distribution		**131**	142
		328	403
Cost of gas sold		**197**	261
		131	142
Other income		**1**	1
		132	143
Expenses			
Operating and administrative	3	**62**	61
Finance expense	3 & 4	**19**	18
Depreciation and amortization		**26**	25
Capital and other taxes		**19**	20
Corporate allocation	5	**12**	12
		138	136
Net (Loss) Income		**(6)**	7

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

STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2012	2011
	millions of dollars	
Retained earnings, beginning of year	**40**	33
Net (loss) income	**(6)**	7
Retained earnings, end of year	**34**	40

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

CENTRA GAS MANITOBA INC.
BALANCE SHEET
As at March 31

	Notes	2012	2011
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	**637**	617
Less accumulated depreciation	6	**224**	218
		413	399
Construction in progress	6	**2**	1
		415	400
Current Assets			
Accounts receivable and accrued revenue		**47**	90
Gas in storage		**41**	21
		88	111
Other Assets			
Regulated assets	7	**77**	75
Intangible assets	8	**8**	7
		85	82
		588	593
Liabilities and Shareholder's Equity			
Long-Term Debt	9	**235**	297
Current Liabilities			
Due to parent	10	**14**	19
Accounts payable and accrued liabilities	11	**70**	67
Current portion of long-term debt	9	**63**	-
		147	86
Other Liabilities			
Refundable advances from customers		**18**	16
		18	16
Contributions in Aid of Construction		**33**	33
Shareholder's Equity			
Share capital	15	**121**	121
Retained earnings		**34**	40
		155	161
		588	593

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

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2012	2011
	millions of dollars	
Operating Activities		
Cash receipts from customers	**388**	403
Cash paid to suppliers	**(319)**	(338)
Interest paid	**(20)**	(20)
Cash provided by operating activities	**49**	45
Financing Activities		
Short-term repayments to parent	**(6)**	(6)
Cash used for financing activities	**(6)**	(6)
Investing Activities		
Property, plant and equipment, net of contributions	**(31)**	(27)
Other	**(12)**	(12)
Cash used for investing activities	**(43)**	(39)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook, "Pre-Changeover Accounting Standards" and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The prices charged for the sale of natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to gas customers recover all costs incurred in providing gas service to customers. As permitted under GAAP, the Corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Centra Gas Manitoba Inc. (Centra) applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Centra refers to such deferred costs or credits as regulated assets (Note 7) or regulated liabilities (Note 11) which are generally comprised of the following:

- Power Smart programs - The costs of Centra's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Deferred taxes - As a result of its acquisition by Manitoba Hydro in 1999, Centra became non-taxable and, in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

- Site restoration costs - Site restoration costs incurred are deferred and amortized on a straight-line basis over a period of 15 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable, and recovered or refunded in future rates.

Centra's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining-life basis. The range of estimated service lives of each major asset category is as follows:

Transmission	15 - 65 years
Distribution	5 - 65 years
Other	10 - 45 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by Centra. A depreciation study was completed during 2011-12 which included a comprehensive review of the major components within each asset class. Adjustments to the component groupings and to the estimated service lives were implemented in 2011-12.

c) **Intangible Assets**

Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost. The cost of computer application development includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer application development	10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra. A depreciation study was completed during 2011-12 which resulted in changes to the estimated service lives.

d) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Gas in Storage**
Gas in storage is valued at average cost.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Employee Future Benefits**
The costs and obligations of pension benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average approach.

i) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

j) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

k) **Foreign Currency Translation**
Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet

date. Gains or losses related to natural gas storage purchases which arise from the date of receipt to date of payment are included as inventoried cost. All other exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) **Derivatives**
Centra does not engage in derivative trading or speculative activities. Centra mitigates natural gas price volatility to customers through the use of natural gas price swaps. Fixed price swaps are carried at fair value on the balance sheet with gains and losses recorded in income.

m) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

n) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Depreciation Rate Estimates
Depreciation is recognized on a straight-line remaining-life basis with estimated service lives of assets being based upon depreciation studies conducted periodically by Centra. In accordance with a depreciation study completed in 2011-12, the estimated useful lives of a number of asset components were extended. This change in estimate was applied prospectively effective April 1, 2011 and resulted in a $1 million decrease in depreciation and amortization expense in 2011-12.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Centra will be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Centra include property, plant and equipment, regulatory assets and liabilities, and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS*.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus *Improvements to IFRS*, which includes an amendment to IFRS 1 for entities with rate regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Centra intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – *Accounting*; allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of Part I IFRS for one year. In March 2012, the AcSB announced an additional optional one-year deferral of IFRS for qualifying entities with rate-regulated activities. Centra meets the AcSB criteria for the deferral and intends to adopt Part I IFRS for its 2013-14 fiscal year.

At this time, it is uncertain as to what position, if any, the IASB might take to address accounting for the effects of rate-regulated activities. In addition, the IASB has a number of ongoing projects on its agenda which may result in changes to existing IFRS prior to the commencement of Centra's 2013-14 fiscal period. Centra continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 RELATED PARTY TRANSACTIONS

Centra has related party transactions with its parent which are recorded at the exchange amount. The following transactions are in addition to those disclosed elsewhere in the financial statements:

	2012	2011
	millions of dollars	
Expense		
Net operating and administrative costs	**62**	61
Interest		
Advances from parent	**19**	18

NOTE 4 FINANCE EXPENSE

	2012	2011
	millions of dollars	
Interest on debt	**22**	21
Interest capitalized	**(3)**	(3)
	19	18

Included in interest on debt is $3 million (2011 - $3 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2011 – 1.0%).

NOTE 5 CORPORATE ALLOCATION

Costs to acquire Centra and to integrate its operations into those of Manitoba Hydro are allocated between gas and electricity operations in accordance with the synergies and benefits derived by each segment of the business as a result of the acquisition.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars			*millions of dollars*		
Gas distribution	**623**	**215**	**2**	602	208	1
General plant and other	**14**	**9**	**-**	15	10	-
	637	**224**	**2**	617	218	1

NOTE 7 REGULATED ASSETS

	2012	2011
	millions of dollars	
Power Smart programs	**44**	39
Deferred taxes	**30**	33
Site restoration costs	**2**	2
Regulatory costs	**1**	1
	77	75

If Centra was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net loss for 2012 would have increased by $2 million (2011 – net income decreased by $5 million).

In total, regulated assets of $10 million (2011 - $10 million) were amortized to operations during the period.

NOTE 8 INTANGIBLE ASSETS

	2012			2011		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	millions of dollars			*millions of dollars*		
Computer application development	**7**	**3**	**4**	10	7	3
Land easements	**5**	**1**	**4**	5	1	4
	12	**4**	**8**	15	8	7

The additions to intangible assets for the year were $1 million (2011 - $1 million). In total, intangible assets of $2 million (2011 - $2 million) were amortized to operations during the period.

NOTE 9 LONG-TERM DEBT

	2012	2011
	millions of dollars	
Long-term advances from parent	**298**	298
Debt discounts and premiums	**-**	(1)
Less: Current portion of long-term debt	**(63)**	-
	235	297

Debt principal amounts (excluding debt discounts and premiums) and related yields are summarized by fiscal years in which advances are required to be repaid in the following table:

	2012		2011
	Total principal amount of repayment	Weighted average yield rate	Total principal amount of repayment
	millions of dollars		*millions of dollars*
2013	**63**	**5.98%**	63
2015	**35**	**1.90%**	35
	98	**2.82%**	98
2028-2032	**30**	**4.73%**	30
2033-2037	**110**	**4.97%**	110
2038-2042	**60**	**4.92%**	60
	298	**4.87%**	298

NOTE 10 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated monthly at floating rates. The effective rate for fiscal year 2012 was 0.9% (2011 – 0.6%). There are no fixed repayment terms.

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
	millions of dollars	
Accounts payable and accrued liabilities	**40**	54
Regulated liabilities:		
Purchased gas variance accounts	**30**	13
	70	67

Centra passes costs related to the purchase and transportation of natural gas onto its customers without markup. If Centra was not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. For fiscal year 2012, if actual gas costs were expensed and sales rates were not adjusted accordingly, net loss would have decreased by $17 million (2011 - net income increased by $10 million).

NOTE 12 EMPLOYEE FUTURE BENEFITS

In 2001, former employees of Centra ceased earning current service benefits under the Centra pension plans and began earning benefits under the Civil Service Superannuation Board plan. The assets relating to Centra's curtailed pension plans are held in trust by State Street Trust Co. of Canada and are not reflected on Centra's balance sheet.

The following table presents information concerning Centra's curtailed pension plans:

	2012	2011
	millions of dollars	
Plan assets at fair value		
Balance at beginning of year	**84**	73
Actual return on plan assets	**2**	10
Employer contributions	**2**	6
Benefit payments and refunds	**(4)**	(5)
	84	84
Accrued benefit obligation		
Balance at beginning of year	**86**	82
Interest on obligation	**6**	5
Benefit payments and refunds	**(4)**	(4)
Actuarial losses	**10**	3
	98	86
Deficit at end of year	**(14)**	(2)
Unamortized past service costs	**2**	2
Unamortized transitional balance	**-**	(1)
Unamortized net actuarial loss	**42**	30
Accrued benefit asset	**30**	29

Pension assets are valued at market rates and are invested as follows:

	2012	2011
	millions of dollars	
Equities	**57**	56
Bonds and debentures	**22**	21
Real estate	**4**	4
Short-term investments	**1**	3
	84	84

The return for Centra's curtailed pension plans was 2.0% (2011 – 12.1%). The weighted average term to maturity on fixed income investments is 9.5 years (2011 – 9.1 years).

The most recent actuarial valuations for Centra's obligations for Centra's curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2011. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuation for the plans will occur in December 2012.

Centra's curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2011.

The significant actuarial assumptions adopted in measuring Centra's accrued benefit obligation are as follows:

	2012	2011
Discount rate	**5.25%**	6.5%
Expected long-term rate of return on plan assets	**7.0%**	7.0%
Rate of compensation increase including merit and promotions	**1.5 - 2.0%**	1.5 - 2.0%
Expected average remaining service life of employees	**10 years**	10 years
Long-term inflation rate	**2.0%**	2.5%

Centra's pension expense related to the curtailed pension plans is as follows:

	2012	2011
	millions of dollars	
Interest on pension obligation	**6**	5
Expected return on plan assets	**(6)**	(6)
Amortization of net experience loss	**1**	1
	1	-

NOTE 13 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Centra's non-derivative financial instruments at March 31 were as follows:

	2012		2011	
Financial instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Loans and Receivables				
Accounts receivable and accrued revenue	**47**	**47**	90	90
Other Financial Liabilities				
Long-term debt (including current portion)	**298**	**330**	297	311
Accounts payable and accrued liabilities	**70**	**70**	67	67
Due to parent	**14**	**14**	19	19

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of long-term debt which is a Level 2 measurement. Fair value measurement of Centra's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks

During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Centra Gas Board, to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Exposure to credit risk related to accounts receivable arising from natural gas sales is minimized due to a large and diversified customer base.

The value of Centra's aged accounts receivable for customers and related bad debt provisions are presented in the following table:

	2012	2011
	millions of dollars	
Under 30 days	**42**	82
30 to 60 days	**3**	4
Over 60 days	**4**	6
	49	92
Provision at end of period	**(2)**	(2)
Total accounts receivable	**47**	90

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible. There was no significant change to the allowance for doubtful accounts from last year.

To mitigate credit risk related to the use of derivative instruments, Centra adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The maximum exposure to credit risk related to Centra's derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, Centra uses cash generated from operations, as well as short-term funding and long-term advances from Manitoba Hydro.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2013	2014	2015	2016	2017	2018 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	70	70	-	-	-	-	-
Due to parent	14	14	-	-	-	-	-
Long-term debt*	298	75	11	46	10	10	377
Derivative financial liabilities							
Fixed price swap contracts	1	1	-	-	-	-	-
		160	11	46	10	10	377

*including current portion and interest payments

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

i. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. At March 31, 2012, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $1 million (2011 - $0.5 million).

ii. Commodity Price Risk

Centra is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk through its use of natural gas price swaps. Centra does not use derivative contracts for trading or speculative purposes.

Centra has entered into natural gas price swaps until July 2016 to purchase 413 980 gigajoules of natural gas at a weighted average fixed price of $5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2012 was $2.95/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

During the 2011-12 fiscal year, Centra discontinued its use of cashless collar contracts and as such there are no fair value measurements for these contracts as at March 31, 2012.

The unrealized fair value losses of these natural gas derivative contracts as at March 31 are as follows:

	2012	2011
	millions of dollars	
Fixed price swap contracts	(1)	-
Cashless collar contracts	-	(1)

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2012.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $39 million (2011 – $69 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2013.

Centra has various legal and operational matters pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Centra's financial position or results of operations.

NOTE 15 SHARE CAPITAL

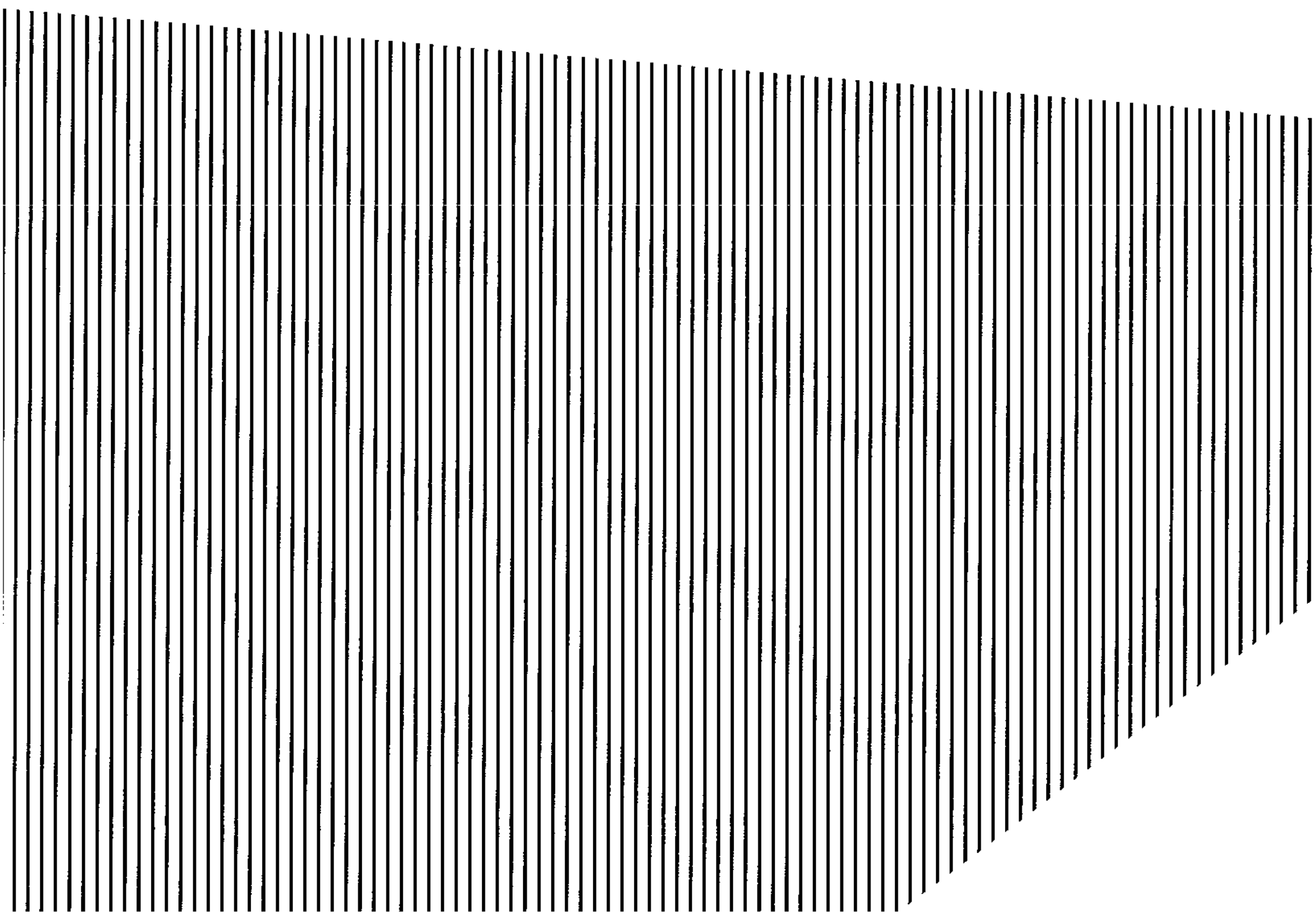
	2012	2011
	millions of dollars	
Authorized		
Unlimited number of common shares		
Issued		
1 505 common shares	**121**	121
	121	121

NOTE 16 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure sufficient retained earnings to enable it to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, Manitoba Hydro-Electric Board.

NOTE 17 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.



Consolidated Financial Statements

Manitoba Hydro International Ltd.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Manitoba Hydro International Ltd.

We have audited the accompanying consolidated financial statements of **Manitoba Hydro International Ltd.**, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and April 1, 2010 and the consolidated statements of income, retained earnings and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Hydro International Ltd.** as at March 31, 2012 and 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and 2011 in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 28, 2012.

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF INCOME
For the year ended March 31

	Notes	2012	2011
		thousands of dollars	
Revenues		**31 822**	33 721
Cost of Operations			
Staff		**11 332**	10 167
Other direct costs	2	**8 125**	12 580
		19 457	22 747
Operating Profit		**12 365**	10 974
Expenses			
Operating and administrative		**7 635**	6 409
Depreciation		**627**	504
Capital and other taxes		**237**	126
		8 499	7 039
Income before other items		**3 866**	3 935
Other Items			
Interest income		**7**	12
		7	12
Net Income		**3 873**	3 947

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the year ended March 31

	2012	2011
	thousands of dollars	
Retained earnings, beginning of year	**15 635**	11 688
Net income	**3 873**	3 947
Retained earnings, end of year	**19 508**	15 635

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

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEET
As at March 31

	Notes	2012	2011	(Note 3) April 1, 2010
			thousands of dollars	
Assets				
Property, Plant and Equipment				
In service	5	**7 259**	6 132	5 014
Less accumulated depreciation	5	**904**	733	601
		6 355	5 399	4 413
Current Assets				
Cash	7	**6 209**	2 365	2 939
Cash - restricted	7	**1 674**	1 555	1 678
Accounts receivable and accrued revenue	8	**10 131**	10 981	9 692
Finished goods inventory		**-**	-	203
Prepaid expenses		**524**	554	362
		18 538	15 455	14 874
Other Assets				
Intangible assets	6	**641**	322	286
		25 534	21 176	19 573
Liabilities and Shareholder's Equity				
Current Liabilities				
Due to parent	4	**-**	-	1 000
Accounts payable	8	**2 580**	2 373	3 696
Deferred revenue	10	**967**	726	647
		3 547	3 099	5 343
Long-Term Deferred Revenue	10	**1 318**	1 281	1 381
Shareholder's Equity				
Share capital	12	**1 161**	1 161	1 161
Retained earnings		**19 508**	15 635	11 688
		20 669	16 796	12 849
		25 534	21 176	19 573

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

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31

	2012	2011
	thousands of dollars	
Operating Activities		
Cash receipts from customers	32 950	32 788
Cash paid to suppliers and employees	(27 092)	(30 971)
Interest received	7	12
Cash provided by operating activities	5 865	1 829
Financing Activities		
Repayment to parent	-	(1 000)
Cash used for financing activities	-	(1 000)
Investing Activities		
Additions to property, plant and equipment	(1 460)	(1 519)
Additions to intangible assets	(442)	(7)
Cash used for investing activities	(1 902)	(1 526)
Net increase (decrease) in cash	3 963	(697)
Cash, beginning of year	3 920	4 617
Cash, end of year	7 883	3 920

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

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro International Ltd. (MHI), a wholly owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro), was incorporated in September 1998 and commenced operations April 1, 1999. As a wholly owned subsidiary of Manitoba Hydro, MHI is not subject to income taxes under Section 149(d) of the Income Tax Act (Canada), however MHI's foreign operations may be subject to income taxes in those jurisdictions.

MHI currently has four business segments, International Utility Services, Manitoba HVDC Research Centre, W.I.R.E. Services and Telecom Services. International Utility Services provides professional consulting, training and electricity infrastructure management services primarily to developing markets. The Manitoba HVDC Research Centre provides technology products, research and development and engineering services to the electrical power system industry. W.I.R.E. Services provides aerial LiDAR data collection and analysis to determine transmission line thermal ratings. Telecom Services provides state of the art broadband telecommunication solutions for telecom carriers, internet service providers and large commercial customers.

The consolidated financial statements include the accounts of MHI and its Nigerian subsidiary. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the following years to depreciate the assets over their estimated useful lives:

Leasehold improvements	20 years
Furniture and fixtures	20 years
Office, research, computer and telecom equipment	5 years

c) **Intangible Assets**

Intangible assets include computer software. They are recorded at cost and are amortized over their useful lives on a straight-line basis. The expected useful life is as follows:

Computer software	5 years

d) **Revenue Recognition**

Revenue is recognized when services are provided or goods are shipped to the customer. Revenue from maintenance and lease contracts is recognized on a straight-line basis over the term of the contract.

e) **Foreign Exchange**

Monetary items denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses are included in income.

MHI's integrated foreign subsidiary, located in Nigeria, is accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Exchange gains or losses arising from the translation are included in operations.

f) **Research and Development Expenses**

Research expenses are charged to income in the year they are incurred. Development costs are charged to operations in the period of the expenditure unless a development project meets the criteria under GAAP for deferral and amortization.

g) **Other Direct Costs**

Other direct costs include transportation, accommodations, rents, project equipment, logistics, project bad debt expense, and other.

h) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates. Key areas of estimation requiring management to make subjective judgements of matters that are inherently uncertain include the estimates for uncollectible accounts, provision for inventory obsolescence, provision for the useful lives of property, plant and equipment and intangibles. Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

NOTE 3 ACCOUNTING CHANGES

First-Time Adoption of Accounting Standards for Private Enterprises

These consolidated financial statements are the first financial statements which MHI has prepared in accordance with Part II of the CICA Handbook – Accounting Standards for Private Enterprises, which constitutes GAAP for non-publicly accountable enterprises in Canada. MHI has applied Section 1500, First-time Adoption retrospectively in preparing its opening consolidated balance sheet as at April 1, 2010 (the "Transition Date"). The adoption of Part II has resulted in no impact to MHI's consolidated financial statements.

Consolidated Financial Statements

Effective April 1, 2011, MHI adopted CICA Handbook Section 1601, Consolidated Financial Statements. Section 1601 supersedes Section 1600, Consolidated Financial Statements. Section 1601 establishes the standards for preparing consolidated financial statements. This standard will be applied prospectively to business combinations whose acquisition date is on or after the date of adoption. The adoption of Section 1601 had no impact on MHI's consolidated financial statements.

NOTE 4 OPERATING LINE OF CREDIT

Manitoba Hydro provides MHI with a $1 million revolving line of credit to be used to fund its operations. The line of credit is payable on demand and bears interest at the average one-month Bankers' Acceptance rate. The effective rate for the fiscal year 2012 was nil (2011-0.5%). The amount outstanding on this operating line of credit as at March 31, 2012 is nil (2011 - nil).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

			2012
	In service	**Accumulated depreciation**	**Net book value**
		thousands of dollars	
Leasehold improvements	**3 540**	**347**	**3 193**
Furniture and fixtures	**688**	**78**	**610**
Office, research, computer and telecom equipment	**3 031**	**479**	**2 552**
	7 259	**904**	**6 355**

			2011
	In service	Accumulated depreciation	Net book value
		thousands of dollars	
Leasehold improvements	3 512	171	3 341
Furniture and fixtures	630	45	585
Office, research, computer and telecom equipment	1 990	517	1 473
	6 132	733	5 399

Included in the cost above is $587 thousand (2011 - nil) of computer equipment costs which have not been amortized as these assets were not placed in use as of year end.

NOTE 6 INTANGIBLE ASSETS

			2012
	In service	Accumulated amortization	Net book value
		thousands of dollars	
Computer software	**852**	**211**	**641**
	852	**211**	**641**

			2011
	In service	Accumulated amortization	Net book value
		thousands of dollars	
Computer software	410	88	322
	410	88	322

The additions to intangible assets for the year totaled $442 thousand (2011 - $117 thousand). In total, intangible assets of $123 thousand (2011 - $81 thousand) were amortized to operations during the period.

NOTE 7 CASH

	2012	2011
	thousands of dollars	
Cash - Canadian bank accounts	**6 197**	2 354
Cash - Overseas bank accounts	**12**	11
	6 209	2 365
Cash - Restricted	**1 674**	1 555
	7 883	3 920

Cash in overseas bank accounts includes funds deposited in foreign currencies in countries other than Canada. Restricted cash relates to deposits held for letters of guarantees for customer contracts. Cash balances earn interest at various rates based on monthly average balances. The effective interest rate for 2012 averaged 0.5% (2011 – 1.1%).

NOTE 8 RELATED PARTY TRANSACTIONS

During the normal course of business, MHI provided $1 965 thousand (2011 - $1 445 thousand) in services to Manitoba Hydro. During the period, Manitoba Hydro provided staffing to MHI at a cost recovery of $2 183 thousand (2011 - $3 453 thousand). MHI paid $464 thousand (2011 - $417 thousand) of expenses pertaining to the rental of fibre strands from Manitoba Hydro. MHI paid nil (2011 - $1 thousand) interest on its operating line of credit to Manitoba Hydro. Included in accounts payable is $362 thousand (2011 - $1 088 thousand) owing to Manitoba Hydro. Included in accounts receivable is $753 thousand (2011 - $549 thousand) owing from Manitoba Hydro. Related party transactions are recorded at the exchange amount.

NOTE 9 LEASE COMMITMENTS

As at March 31, 2012, future minimum annual lease payments committed under operating leases over the next five years are as follows:

Year 1	$516 thousand
Years 2-3	$548 thousand per year
Years 4-5	$586 thousand per year

NOTE 10 DEFERRED REVENUE

Deferred revenue pertains to the deferral of revenue from advance payments from customers. The associated revenue is recognized when the services are provided.

	2012	2011
	thousands of dollars	
Short-Term		
Software maintenance contracts	**794**	559
Dark fibre lease payment	**76**	69
Annual fibre lease contracts	**97**	98
	967	726
Long-Term		
Software maintenance contracts	**369**	239
Dark fibre lease payment	**949**	1 042
	1 318	1 281
Total	**2 285**	2 007

NOTE 11 FINANCIAL INSTRUMENTS- RISKS AND UNCERTAINTIES

MHI is exposed to interest rate, foreign exchange, credit and liquidity risks. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by MHI, to set risk tolerance limits, to establish controls and to monitor risk and adherence to policies. The risk management plan is designed to ensure MHI's risks and exposures are in line with MHI's business objectives and risk tolerances. The nature of the financial risks and MHI's strategy for managing these risks has not changed significantly from the prior year.

Interest Rate Risk
Interest rate risk is associated with variable interest rates paid to the parent company. The amount due to parent was nil at March 31, 2012 (2011 - nil).

Foreign Exchange Risk
Financial risk to MHI's operations arises from fluctuations in exchange rates and the volatility in these rates. MHI does not use derivative instruments to reduce its exposure to foreign currency risk. While MHI generates sales in a variety of countries, the sales contracts are based in Canadian dollars, U.S. dollars, Saudi Arabia Riyals, or Euros in order to reduce financial risk of foreign exchange.

Credit Risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. As at March 31, 2012, MHI is exposed to credit risk from customers in geographic areas primarily in Canada, Africa, Saudi Arabia, the United States, and Europe. MHI mitigates credit risk through the establishment of working relationships with customers and government agencies, and diversification to eliminate significant credit risk concentration.

Liquidity Risk
Liquidity risk refers to the risk that MHI will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, MHI uses cash generated from operations and has access to an operating line of credit from Manitoba Hydro. All accounts payable are due within 30 days of year end. See Note 9 for details of other contractual obligations and their maturities.

NOTE 12 SHARE CAPITAL

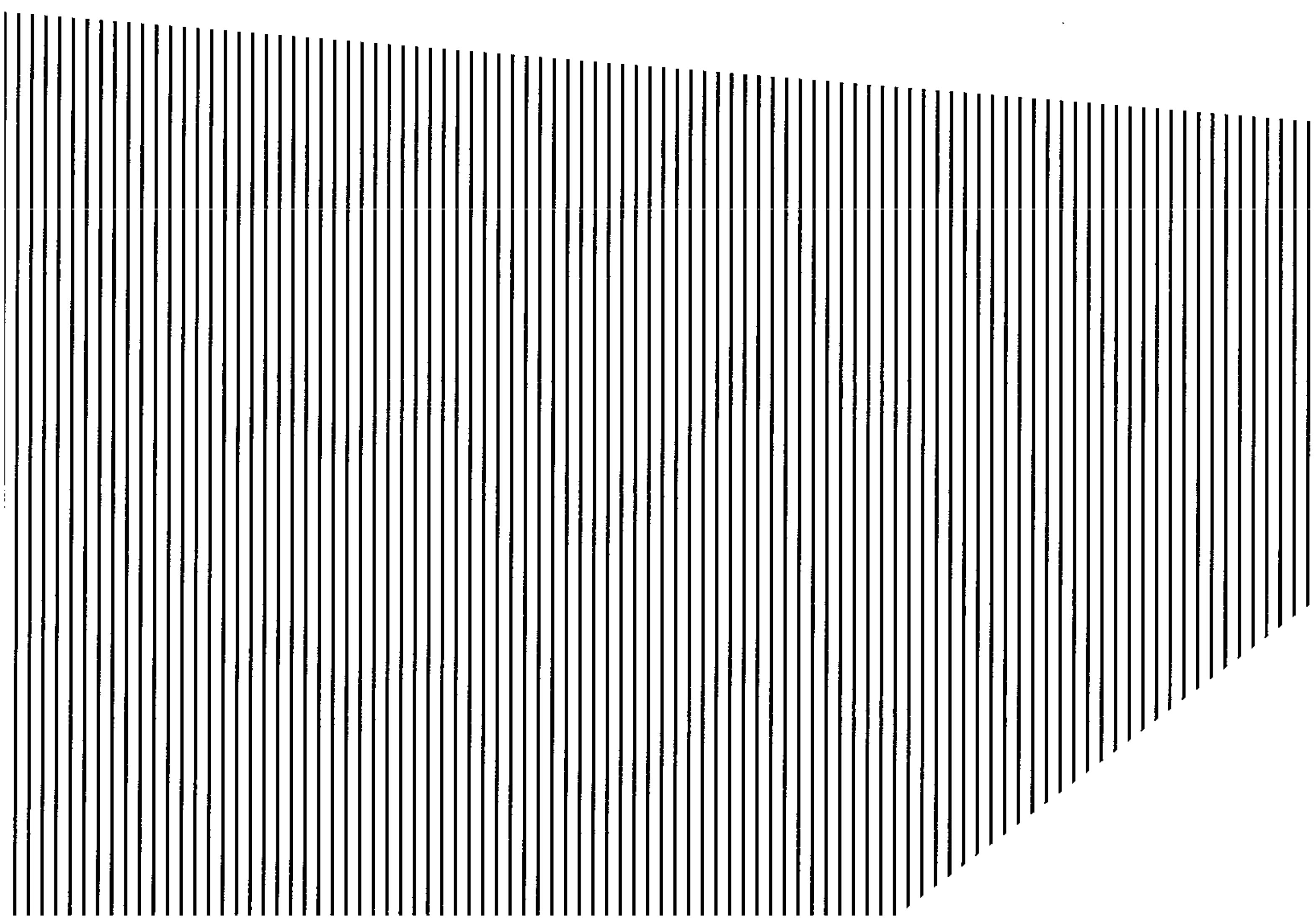
Unlimited number of common shares authorized and one common share issued. Shares in the capital of MHI cannot be sold, assigned, transferred or otherwise disposed of unless Manitoba Hydro will, after the disposition, continue to own directly or indirectly all of MHI's shares.

NOTE 13 PENSION PLAN

MHI has a defined contribution pension plan for its employees. MHI's contribution and expense for the year amounted to $168 thousand (2011 - $89 thousand) which is included in operating and administrative expenses.

NOTE 14 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.



Financial Statements

Minell Pipelines Ltd.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Minell Pipelines Ltd.

We have audited the accompanying financial statements of **Minell Pipelines Ltd.**, which comprise the balance sheet as at March 31, 2012 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Minell Pipelines Ltd.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 28, 2012.

MINELL PIPELINES LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended March 31

	Notes	2012	2011
		thousands of dollars	
Revenues			
Rental of gas transmission facilities	8	**198**	198
Expenses			
Operating and administrative	8	**18**	24
Finance expense	4	**18**	21
Depreciation and amortization		**39**	39
Capital and other taxes		**122**	116
		197	200
Net Income (Loss)		**1**	(2)
Retained earnings, beginning of year		**128**	130
Retained earnings, end of year		**129**	128

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

MINELL PIPELINES LTD.
BALANCE SHEET
As at March 31

	Notes	2012	2011
		thousands of dollars	
Assets			
Property, Plant and Equipment			
In service	5	**1 833**	1 833
Less accumulated depreciation	5	**823**	784
		1 010	1 049
Construction in progress	5	**150**	86
		1 160	1 135
Current Assets			
Prepaid expenses		**2**	2
Other Assets			
Regulated assets	6	**340**	360
		1 502	1 497
Liabilities and Shareholder's Equity			
Current Liabilities			
Due to parent	7	**1 046**	1 045
Accounts payable and accrued liabilities		**25**	22
		1 071	1 067
Contributions in Aid of Construction		**17**	17
Shareholder's Equity			
Share capital	10	**285**	285
Retained earnings		**129**	128
		414	413
		1 502	1 497

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

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MINELL PIPELINES LTD.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2012	2011
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**198**	198
Cash paid to suppliers	**(116)**	(117)
Interest paid	**(18)**	(21)
Cash provided by operating activities	**64**	60
Financing Activities		
Advance from (repayments to) parent company	**1**	(47)
Cash provided by (used for) financing activities	**1**	(47)
Investing Activities		
Additions to property, plant and equipment, net of contributions	**(65)**	(13)
Cash used for investing activities	**(65)**	(13)
Net change in cash	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

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

NOTE 1 NATURE OF THE ORGANIZATION

Minell Pipelines Ltd. (Minell) operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba. This transmission system is used solely for the transportation of natural gas on behalf of Centra Gas Manitoba Inc. (Centra).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook, "Pre-Changeover Accounting Standards" and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The rental charged for gas transmission facilities is subject to regulation by The National Energy Board. The rate-setting process ensures that rates charged to customers recover all costs incurred in providing service. As permitted under Canadian GAAP, Minell applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 - Regulated Operations, represents the standard Minell applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Minell refers to such deferred costs or credits as regulated assets (Note 6) or liabilities which are comprised of the following:

- Deferred taxes - As a result of the change in ownership in 1999, Minell became non-taxable and in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

Minell's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Natural gas transmission systems and buildings and equipment are recorded at cost, which includes interest and overhead amounts capitalized during the construction period. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

Depreciation is calculated on a straight-line basis at rates varying from 2.0% to 2.5% based on the estimated useful lives of the assets.

b) **Contributions in Aid of Construction**
Contributions in aid of construction are non-refundable contributions from customers in support of specific transmission facilities. These amounts are amortized to income at rates that correspond with the depreciation rates of the related assets.

c) **Revenue**
Revenue for the use of transmission facilities is from a related party and is recognized on a monthly basis.

d) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

e) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Minell has no items related to OCI, comprehensive income for the year is equivalent to net income.

f) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Future Accounting Changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Minell would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Minell include property, plant and equipment, regulatory assets and liabilities, and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS.*

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus *Improvements to IFRS*, which includes an amendment to IFRS 1 for entities with rate regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Minell intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the Canadian Institute of Chartered Accountants Handbook – *Accounting*; allowing qualifying entities with rate regulated activities to be permitted, but not required, to defer their adoption of Part I IFRS for one year. In March 2012, the AcSB announced an additional optional one-year deferral of IFRS for qualifying entities with rate-regulated activities. Minell meets the AcSB criteria for the deferral and intends to adopt Part I IFRS for its 2013-14 fiscal year.

At this time, it is uncertain as to what position, if any, the IASB might take to address accounting for the effects of rate-regulated activities. In addition, the IASB has a number of ongoing projects on its agenda which may result in changes to existing IFRS prior to the commencement of Minell's 2013-14 fiscal period. Minell continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 4 FINANCE EXPENSE

	2012	2011
	thousands of dollars	
Interest on amount due to parent	**18**	21
	18	21

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	thousands of dollars	
Land, buildings and equipment	**94**	94
Gas transmission	**1 739**	1 739
	1 833	1 833
Accumulated depreciation	**823**	784
	1 010	1 049
Construction in progress	**150**	86
	1 160	1 135

NOTE 6 REGULATED ASSETS

	2012	2011
	thousands of dollars	
Deferred taxes	**340**	360
	340	360

If Minell was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net income for 2012 would have increased by $20 thousand (2011 - net income increased by $20 thousand).

In total, regulated assets of $20 thousand (2011 - $20 thousand) were amortized to operations during the period.

NOTE 7 DUE TO PARENT

	2012	2011
	thousands of dollars	
Amount due to parent	**1 046**	1 045

The amount due to the parent company bears interest at the three-month T-Bill rate (2011 - average one-month Bankers' Acceptance rate) plus a 1% Provincial Guarantee Fee on the outstanding balance and has no fixed terms of repayment. The effective rate for the period was 0.9% (2011 - 1.0%)

NOTE 8 RELATED PARTY TRANSACTIONS

Rental of gas transmission facilities is to Centra, a company under common control.

In addition to related party transactions disclosed elsewhere in the financial statements, operating and administrative expenses include $18 thousand (2011 - $24 thousand) for administrative and other services performed by Centra Gas. Related party transactions are recorded at the exchange amount.

NOTE 9 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Minell's financial instruments at March 31 are as follows:

	2012		2011	
Financial Instruments	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
		thousands of dollars		
Other Financial Liabilities				
Accounts payable and accrued liabilities	**25**	**25**	22	22
Due to parent	**1 046**	**1 046**	1 045	1 045

Minell is exposed to interest rate risk associated with amounts due to the parent company.

NOTE 10 SHARE CAPITAL

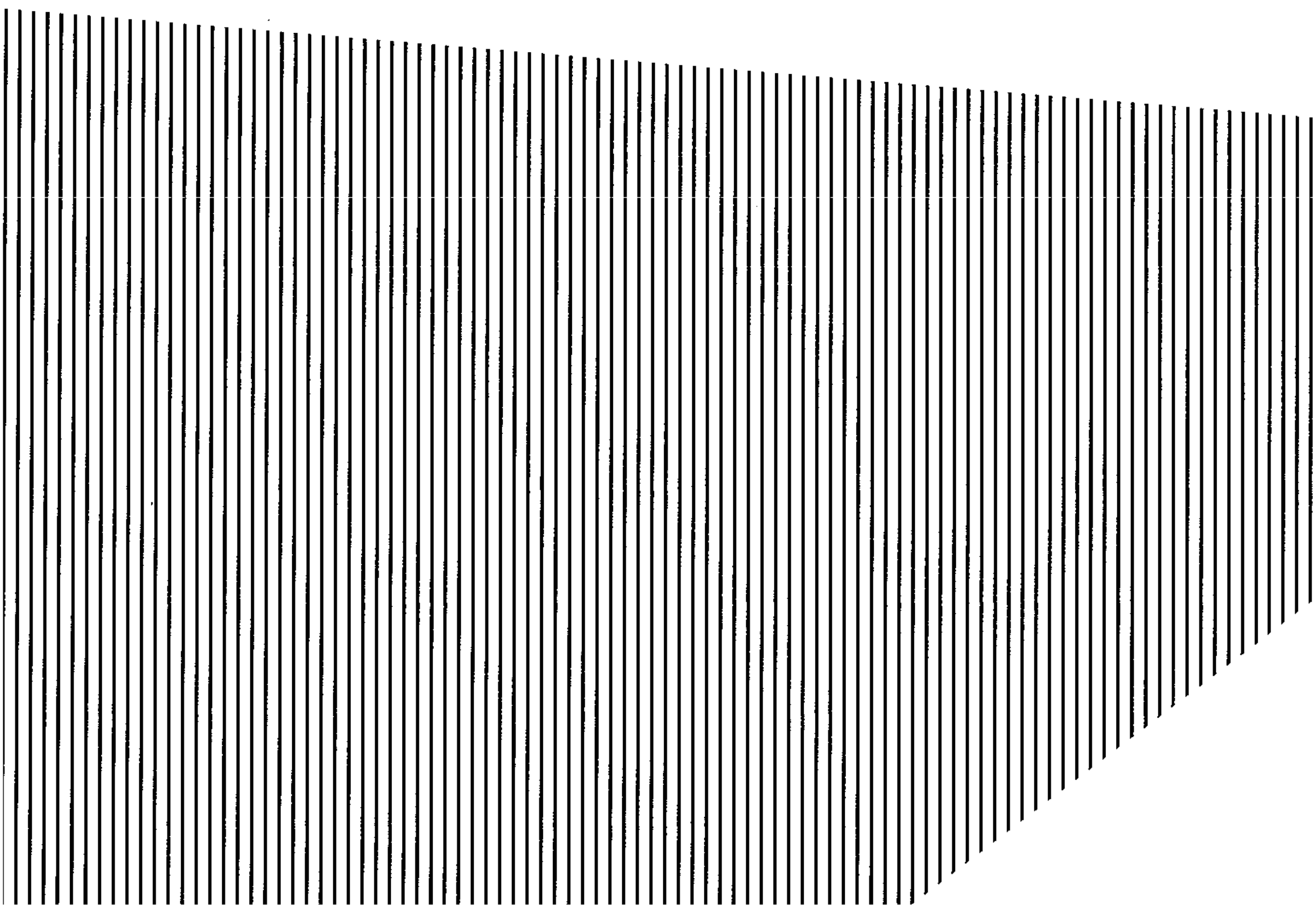
	2012	2011
	thousands of dollars	
Authorized		
Unlimited number of shares of one class		
Issued		
285 000 shares	**285**	285

NOTE 11 CAPITAL MANAGEMENT

Minell meets its capital requirements through cash provided by operating activities and advances from its parent company, Manitoba Hydro-Electric Board.

NOTE 12 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.



Financial Statements

Wuskwatim Power Limited Partnership

March 31, 2012

Ernst & Young

INDEPENDENT AUDITORS' REPORT

To the Partners of
Wuskwatim Power Limited Partnership

We have audited the accompanying financial statements of **Wuskwatim Power Limited Partnership**, which comprise the balance sheets as at March 31, 2012 and 2011 and April 1, 2010, and the statements of partners' capital and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Wuskwatim Power Limited Partnership** as at March 31, 2012 and 2011 and April 1, 2010, and the results of operations and its cash flows for the years ended March 31, 2012 and 2011 in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
July 5, 2012.

Chartered Accountants

WUSKWATIM POWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31

	Notes	2012	2011	(Note 3) April 1, 2010
			millions of dollars	
Assets				
Property, Plant and Equipment				
Construction in progress - generating station	4	**1 259**	1 098	812
Construction in progress - transmission line	5	**296**	265	233
Current Assets				
Cash & cash equivalents	6	**-**	-	-
Term investment	7	**1**	1	2
Accounts receivable	8	**-**	1	1
Prepaids	9	**2**	5	6
		3	7	9
		1 558	1 370	1 054
Liabilities and Equity				
Current Liabilities				
Accounts payable		**37**	36	53
Interest payable	10	**17**	12	8
		54	48	61
Long-Term Debt	11	**1 201**	1 058	804
Equity	13	**303**	264	189
		1 558	1 370	1 054

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

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

V.A. Warden

Vince A. Warden, CMA, FCMA
Treasurer and Chair of the Audit Committee

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL

	Units as at March 31, 2011	Capital as at March 31, 2011 ($millions)	Net activity for the period Contributions ($millions)	Units as at March 31, 2012	Capital as at March 31, 2012 ($millions)
General Partner (5022649 Manitoba Ltd.)	26.392	$ -	$ -	30.283	$ -
Manitoba Hydro	176 797.775	$ 177	$ 26	202 868.050	$ 203
Taskinigahp Power Corporation	87 092.500	$ 87	$ 13	99 935.000	$ 100
	263 916.667	$ 264	$ 39	302 833.333	$ 303

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

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31

	2012	2011
	millions of dollars	
Financing Activities		
Proceeds from issue of units of WPLP	39	75
Net proceeds from long-term debt	143	254
Cash provided by financing activities	182	329
Investing Activities		
Construction in progress - generating station	(156)	(299)
Construction in progress - transmission line	(27)	(31)
Term investment	1	1
Cash used for investing activities	(182)	(329)
Net difference in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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

NOTE 1 NATURE OF THE ORGANIZATION

Wuskwatim Power Limited Partnership (WPLP or the Partnership) was formed on December 9, 2004 under the laws of Manitoba to carry on the business of developing, owning and operating the Wuskwatim hydroelectric generating station (the Project) and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations and roads to be located at Taskinigahp Falls near Wuskwatim Lake.

An agreement was reached between Manitoba Hydro and Nisichawayasihk Cree Nation (NCN) on the development of the Project pursuant to a Project Development Agreement (the PDA) and the execution of the PDA was carried out on June 26, 2006. Initial Closing, as defined under the PDA, occurred on June 28 and 29, 2006. The parties to the PDA executed as a supplementary agreement to the PDA the Wuskwatim Project Development Supplementary Agreement on March 15, 2011. Manitoba Hydro and Taskinigahp Power Corporation (TPC) (owned beneficially by NCN) are limited partners of WPLP. The General Partner, which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in WPLP. TPC became a limited partner on June 28, 2006.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at WPLP's average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction will cease, and depreciation and finance expense charged to operations will commence.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

First-Time Adoption of Accounting Standards for Private Enterprises

These financial statements are the first financial statements which WPLP has prepared in accordance with Part II of the CICA Handbook – Accounting Standards for Private Enterprises, which constitutes GAAP for non-publicly accountable enterprises in Canada. WPLP has applied Section 1500, First-time Adoption retrospectively in preparing its opening balance sheet as at April 1, 2010 (the "Transition Date"). The adoption of Part II has resulted in no impact to WPLP's financial statements.

NOTE 4 CONSTRUCTION IN PROGRESS - GENERATING STATION

This item refers to amounts incurred to develop the Wuskwatim generating station. Manitoba Hydro is building the Project in accordance with the Construction Agreement.

Depreciation will commence when the first generator is in-service (summer of 2012) and will be calculated on a straight-line remaining life basis. The range of estimated service life for a hydraulic generating station and its components is 20-125 years. For the year ended March 31, 2012, $46 million (2011 - $35 million) in interest charges have been allocated to the generating station.

NOTE 5 CONSTRUCTION IN PROGRESS - TRANSMISSION LINE

This balance represents amounts accrued or paid to Manitoba Hydro to develop the transmission facilities required to connect the Wuskwatim generating station to Manitoba Hydro's transmission system as specified in the Interconnection and Operating Agreement (IOA). Ownership of these facilities will remain with Manitoba Hydro.

Amortization will commence when the first generator is in-service (summer of 2012) and will be calculated on a straight-line remaining life basis. The range of estimated service life is 10-85 years for transmission lines and 15-65 years for stations. For the year ended March 31, 2012, $15 million (2011 - $14 million) in interest charges have been allocated to this asset.

Contributions are made by WPLP to Manitoba Hydro according to a schedule included in the IOA. As at March 31, 2012, the excess of scheduled contributions over actual expenditures was recorded as a prepaid asset.

NOTE 6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand as well as $50 thousand in funds segregated by the bank in a cashable Guaranteed Investment Certificate for a one-year term to fund a Letter of Credit issued on WPLP's behalf.

NOTE 7 TERM INVESTMENT

This balance represents an investment of $1 million (2011 - $1 million) in surplus cash plus accrued interest that Manitoba Hydro has invested on behalf of the Partnership. This investment is redeemable within two business days on demand and interest earned is based on the average interest rate earned by Manitoba Hydro on its trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment. The effective interest rate as at March 31, 2012 was 0.9% (2011 - 0.9%)

NOTE 8 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts recoverable from the federal government for Goods and Services Tax (GST) paid, which will be received in approximately the following month.

NOTE 9 PREPAIDS

This balance represents the excess of scheduled contributions over actual expenditures of $2 million (2011 - $5 million) by WPLP to Manitoba Hydro for the construction of the transmission facilities. Contributions for the transmission facilities are based on the IOA, which differs from actual expenditures.

NOTE 10 INTEREST PAYABLE

Interest payable represents interest owing on the credit facilities and is comprised of the following:

	2012	2011
	millions of dollars	
Non-Revolving Credit Facility	**12**	8
Revolving Credit Facility	**-**	-
Interconnection Credit Facility	**5**	4
	17	12

NOTE 11 LONG-TERM DEBT

Manitoba Hydro will provide all debt financing for the Project through credit facilities to WPLP. The debt incurred by WPLP through these credit facilities matures 50 years after the in-service date of the first generator in the Project and bears interest at rates specified in the Project Financing Agreement. This debt is secured by the assets owned beneficially by WPLP up to a maximum of $1.3 billion as per the Demand Debenture executed on June 28, 2006 by the General Partner.

Long-term debt is comprised of the following:

	2012	2011
	millions of dollars	
Non-Revolving Credit Facility	**897**	782
Revolving Credit Facility	**12**	10
Interconnection Credit Facility	**292**	266
	1 201	1 058

The Non-Revolving and Revolving Credit Facilities consist of Manitoba Hydro advances received by WPLP to fund a portion of the total capital cost related to the Wuskwatim generating station. Non-revolving advances are limited to an amount that cannot exceed 75% of the total capital cost less any advances received through revolving advances, except for the first ten years following the final closing date, when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. The interest rates on the Non-Revolving and Revolving Credit Facility advances are based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 2.2% as at March 31, 2012 (2011 - 2.2%). The effective interest rate for the period was 5.4% (2011 - 5.1%) for the Non-Revolving Credit Facility and 2.0% (2011 - 1.7%) for the Revolving Credit Facility.

Once the principal amount of the advances under the Non-Revolving Credit Facility exceed $200 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty-Year Rate, which includes a 1% Provincial Guarantee Fee, in effect on the conversion date. The first conversion date was February 13, 2008, at which time the Canadian Thirty-Year Rate was 5.9%. The second conversion date was July 14, 2009, at which time the Canadian Thirty-Year Rate was 5.9%. The third conversion date was June 11, 2010, at which time the Canadian Thirty-Year Rate was 5.7%. The fourth conversion date was May 13, 2011, at which time the Canadian Thirty-Year Rate was 5.4%.

The Interconnection Credit Facility consists of Manitoba Hydro advances received by the Partnership to fund the total capital cost to construct and install transmission facilities and interconnection system upgrades pursuant to the IOA with Manitoba Hydro. The interest rate on the first $40 million advanced is based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 2.2% as at March 31, 2012 (2011 - 2.2%).

Once the principal amount of the advances under the Interconnection Credit Facility exceed $40 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty-Year Rate, which includes a 1% Provincial Guarantee Fee, in effect on the conversion date. The first conversion date was April 2, 2007, and the second conversion date was January 2, 2008. On both dates the Canadian Thirty-Year Rate was 5.7%. The third conversion date was August 1, 2008 with a Canadian Thirty-Year Rate of 5.8%. The fourth conversion date was January 2, 2009 with a Canadian Thirty-Year Rate of 6.0%. The fifth conversion date was May 1, 2009 with a Canadian Thirty-Year Rate of 6.1%. The sixth conversion date was July 14, 2010 with a Canadian Thirty-Year Rate of 5.7%. The seventh conversion date was October 14, 2011 with a Canadian Thirty-Year Rate of 4.9%. The effective interest rate for the Interconnection Credit Facility for the period was 5.4% (2011 - 5.5%).

Principal payments on these loans are as follows:

	Total
	millions of dollars
2013	-
2014	-
2015	-
2016	-
2017-2063	**1 201**
	1 201

NOTE 12 FINANCIAL INSTRUMENTS – RISKS AND UNCERTANTIES

WPLP's operations expose the Partnership to interest rate risk on short-term borrowings net of temporary investments. The Partnership is not exposed to significant credit, liquidity or market risks.

NOTE 13 PARTNERS' CAPITAL

Authorized: Unlimited number of limited partnership units at $1 000 each.
Issued: 302 833.333 limited partnership units at $1 000 each.

As at March 31, equity had been issued as follows:

	2012	2011
	millions of dollars	
Manitoba Hydro	**203**	177
Taskinigahp Power Corporation	**100**	87
General Partner (5022649 Manitoba Ltd.)	**-**	-
	303	264

During the year ended March 31, 2012, WPLP issued 38 916.667 limited partnership units. These units have no preference, exchange, pre-emptive or redemption rights. In accordance with the TPC Financing Agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2012, Manitoba Hydro has provided advances to TPC of $91 million (2011 - $78 million). In accordance with the TPC Financing Agreement, the advances are repayable by TPC with interest, subsequent to the in-service date of the Wuskwatim generating station.

NOTE 14 RELATED PARTY TRANSACTIONS

WPLP separately identifies within its records all transactions with Manitoba Hydro at the exchange amount determined by various agreements. Amounts due to Manitoba Hydro consist of $1 201 million (2011 - $1 058) included in long-term debt, $37 million (2011 - $36 million) included in accounts payable and $17 million (2011 - $12 million) included in interest payable. Amounts paid to Manitoba Hydro consisted of $156 million (2011 - $299 million) relating to the generating station, $27 million (2011 - $31 million) included in the transmission line, and $7 million (2011 - $15 million) in GST that was recovered from the Canada Revenue Agency with the exception of $0.5 million (2011 - $1 million) included in accounts receivable at month-end (see Note 8). Amounts received from Manitoba Hydro consisted of $26 million (2011 - $50 million) in equity contributions from both Manitoba Hydro and its wholly owned subsidiary, the General Partner. Amounts due from Manitoba Hydro consist of $0.5 million (2011 - $1 million) and are included in term investment.

WPLP has also entered into various agreements with Manitoba Hydro to provide services to the Partnership as follows:

a) the Construction Agreement, whereby Manitoba Hydro will construct the Wuskwatim generating station and related works;

b) the Project Financing Agreement, whereby Manitoba Hydro will provide debt financing to WPLP;

c) the Management Agreement, whereby Manitoba Hydro will provide administrative and management functions to WPLP;

d) the Maintenance and Operations Agreement, whereby Manitoba Hydro will provide all maintenance and on-site operations for the Wuskwatim generating station;

e) the IOA, whereby Manitoba Hydro will connect the Wuskwatim generating station to Manitoba Hydro's integrated power system;

f) the Systems Operation and Dispatch Agreement, whereby Manitoba Hydro will operate and dispatch the Wuskwatim generating station in an integrated fashion with Manitoba Hydro's integrated power system; and

g) the Power Purchase Agreement, whereby Manitoba Hydro will purchase from WPLP all of the power generated by the Wuskwatim generating station. WPLP is economically dependent on Manitoba Hydro as the sole purchaser of the power from Wuskwatim.

Amounts paid to Manitoba Hydro under the Management Agreement for the year ended March 31, 2012 totaled $3 million (2011 - $4 million).

NOTE 15 CAPITAL MANAGEMENT

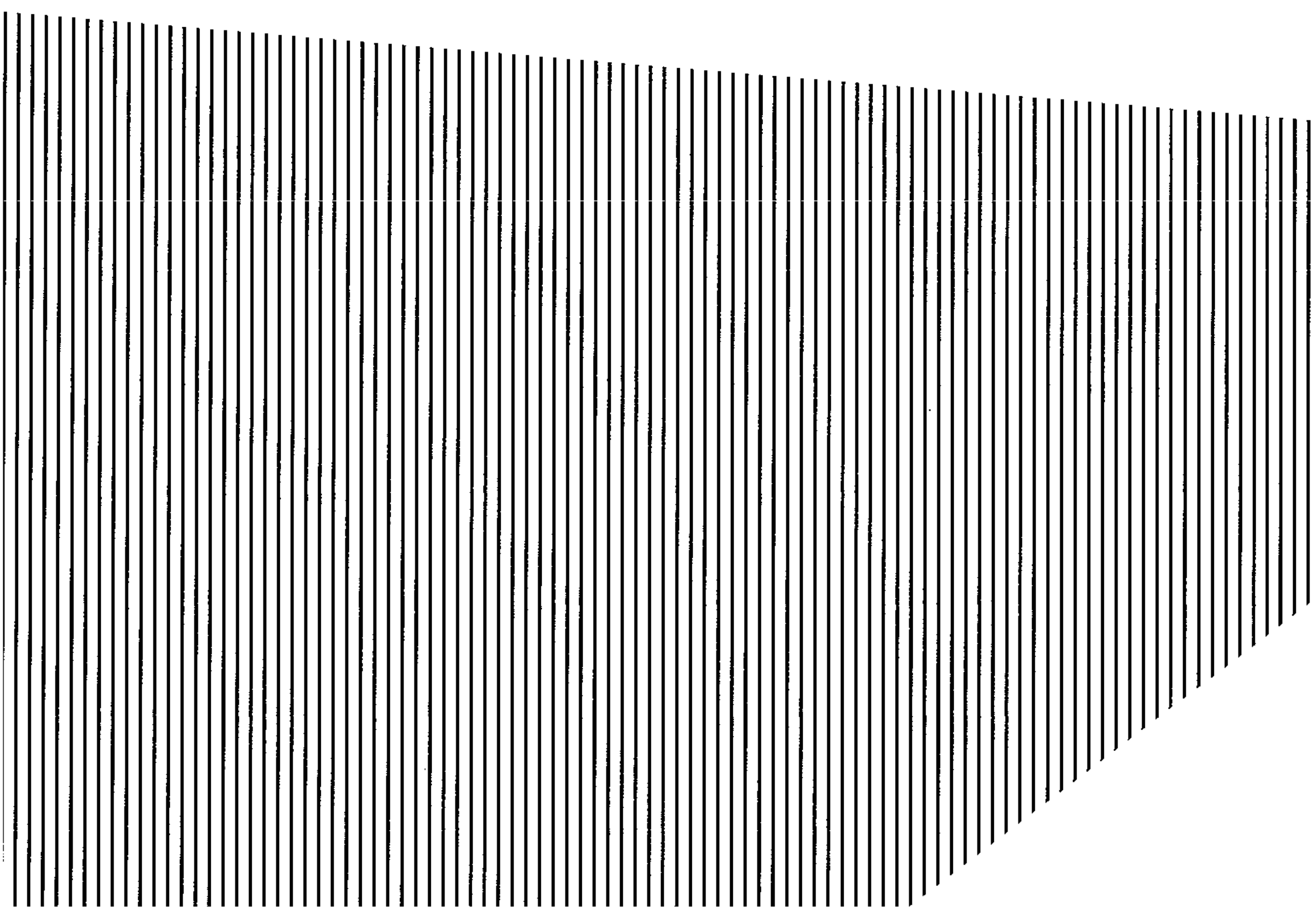
Under the terms of the Wuskwatim PDA, WPLP maintains a 75:25 debt/equity ratio except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. Long-term debt financing is provided by Manitoba Hydro on an as-required basis. Manitoba Hydro also provides a $50 million revolving credit facility and a separate credit facility to finance the contributions to Manitoba Hydro for the construction of the transmission interconnection facilities necessary to connect the Wuskwatim generating station to the Manitoba Hydro system. The outstanding balance of this Interconnection Credit Facility is excluded from the calculation of the debt/equity ratio.

WPLP's debt ratio as at March 31 was as follows:

	2012	2011
	millions of dollars	
Long-term debt	**909**	792
Less: Cash & cash equivalents and term investment	**(1)**	(1)
Net debt	**908**	791
Equity	**303**	264
Debt ratio	**75%**	75%

NOTE 16 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.



Financial Statements

Keeyask Hydropower Limited Partnership

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Partners of
Keeyask Hydropower Limited Partnership

We have audited the accompanying financial statements of **Keeyask Hydropower Limited Partnership**, which comprise of the balance sheets as at March 31, 2012 and 2011, and April 1, 2010, and the statements of partners' capital and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Keeyask Hydropower Limited Partnership** as at March 31, 2012 and 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and 2011 in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
July 5, 2012.

Chartered Accountants

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31

	Notes	**2012**	2011	(Note 2) April 1, 2010
			dollars	
Assets				
Current Assets				
Cash		**10 000**	10 000	10 000
		10 000	10 000	10 000
Equity				
Equity	3	**10 000**	10 000	10 000
		10 000	10 000	10 000

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

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of KHLP
(5900345 Manitoba Ltd.)

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL

	Class	Units as at March 31, 2012	Capital as at March 31, 2012	Units as at March 31, 2011	Capital as at March 31, 2011
			dollars		*dollars*
Manitoba Hydro	M	**7 499**	**8 249**	7 499	8 249
General Partner (5900345 Manitoba Ltd.)	M	**1**	**1**	1	1
Cree Nation Partners Limited Partnership	K	**1 050**	**1 050**	1 050	1 050
	E	**450**	**-**	450	-
FLCN Keeyask Investments Inc.	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
York Factory First Nation Limited Partnership	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
		10 000	**10 000**	10 000	10 000

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

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31

	2012	2011
	dollars	
Financing Activities		
Proceeds from issue of units of KHLP	-	-
Cash provided by financing activities	-	-
Net increase in cash	-	-
Cash, beginning of year	**10 000**	10 000
Cash, end of year	**10 000**	10 000

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

NOTE 1 NATURE OF THE ORGANIZATION

Keeyask Hydropower Limited Partnership (KHLP or the Partnership) was formed on July 30, 2009 under the laws of Manitoba to carry on the business of developing, owning and operating the Keeyask hydroelectric generating station (the Project) and related works excluding the transmission facilities but including the powerhouse and spillway and all dams, dikes, channels, excavations and roads to be located in the vicinity of Gull Rapids, upstream of the point at which the Nelson River flows into Stephens Lake.

An agreement was reached between Manitoba Hydro and Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) on the development of the Project pursuant to the Joint Keeyask Development Agreement (the JKDA) signed on May 29, 2009.

Manitoba Hydro, Cree Nation Partners Limited Partnership (CNPLP) (owned beneficially by TCN and War Lake through CNP), FLCN Keeyask Investments Inc. (FLCNKII) (owned beneficially by Fox Lake) and York Factory First Nation Limited Partnership (YFFNLP) (owned beneficially by York Factory) are limited partners of KHLP. 5900345 Manitoba Ltd. (the General Partner), which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in KHLP.

NOTE 2 ACCOUNTING CHANGES

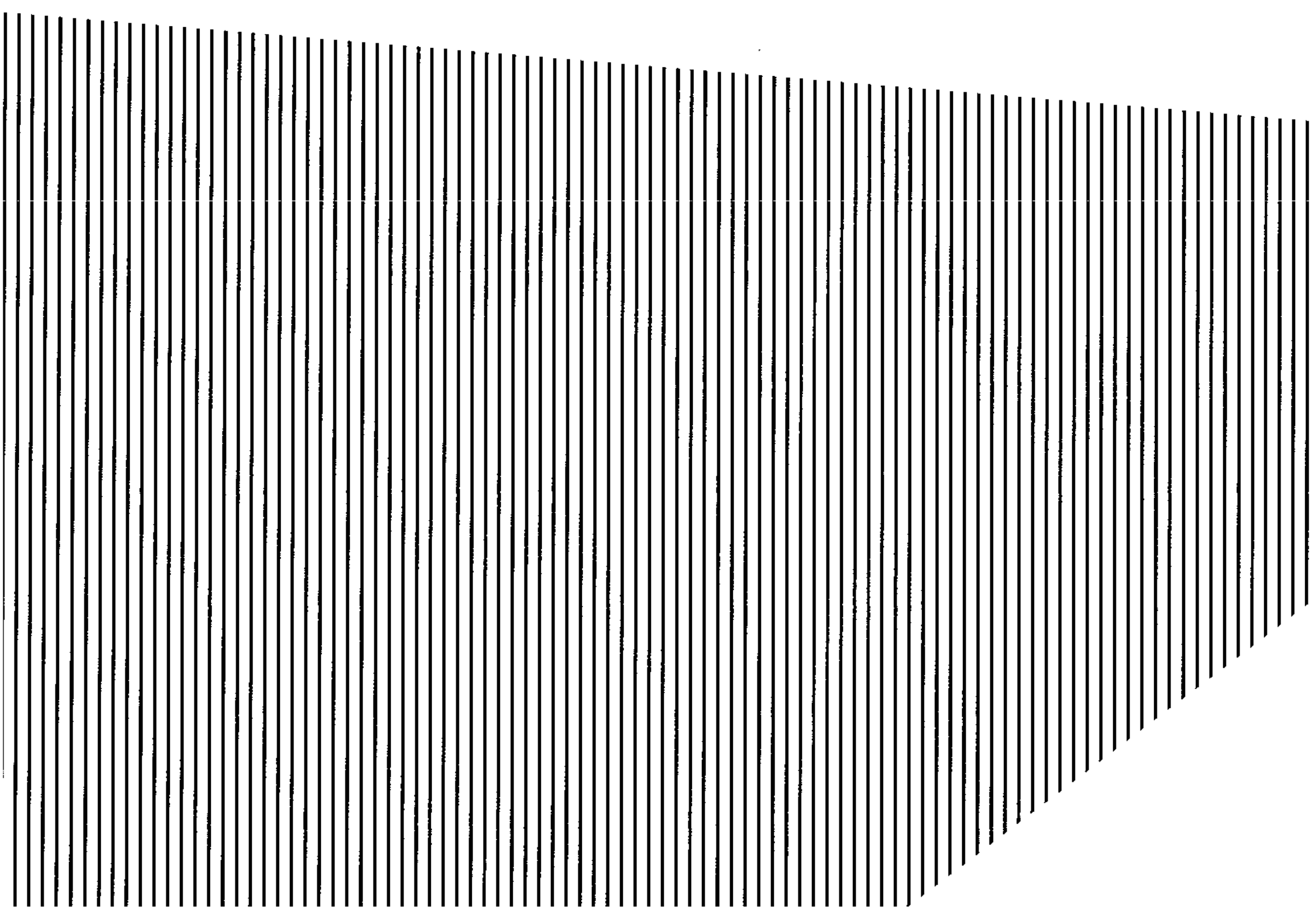
First-Time Adoption of Accounting Standards for Private Enterprises

These financial statements are the first financial statements which KHLP has prepared in accordance with Part II of the Canadian Institute of Chartered Accountants Handbook – Accounting Standards for Private Enterprises, which constitutes Generally Accepted Accounting Principles for non-publicly accountable enterprises in Canada. KHLP has applied Section 1500, First-time Adoption retrospectively in preparing its opening balance sheet as at April 1, 2010 (the "Transition Date"). The adoption of Part II has resulted in no impact to KHLP's financial statements.

NOTE 3 PARTNERS' CAPITAL

Authorized	Unlimited number of limited partnership units (Class E, K and M)				
					dollars
Issued	Manitoba Hydro	7 499	Class M Units	74.99%	8 249
	General Partner	1	Class M Unit	0.01%	1
	CNPLP	1 050	Class K Units	10.50%	1 050
		450	Class E Units	4.50%	-
	FLCKNII	350	Class K Units	3.50%	350
		150	Class E Units	1.50%	-
	YFFNLP	350	Class K Units	3.50%	350
		150	Class E Units	1.50%	-
	Total	10 000	Class M, K and E Units	100.00%	10 000

The units have no preference, exchange, pre-emptive or redemption rights.



Unaudited Financial Statements of

MANITOBA HYDRO UTILITY SERVICES LIMITED

March 31, 2012

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2012	2011
	thousands of dollars	
Revenues		
Manitoba Hydro meter reading	**3 940**	3 999
Line locating	**26**	97
Other contracted services	**3**	3
Manitoba Hydro contracted services	**1 340**	762
Interactive voice response system	**122**	131
	5 431	4 992
Expenses		
Operating and administrative		
Equipment maintenance	**76**	72
Wages and benefits	**4 321**	4 087
Other operating and administrative	**531**	549
	4 928	4 708
Depreciation and amortization	**74**	108
Capital and other taxes	**78**	79
	5 080	4 895
Income before other items	**351**	97
Other items		
Interest income	**9**	5
	9	5
Net Income	**360**	102
Retained earnings, beginning of year	**1 401**	1 299
Retained earnings, end of year	**1 761**	1 401

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

MANITOBA HYDRO UTILITY SERVICES LIMITED
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2012	2011	(Note 3) April 1, 2010
		thousands of dollars		
Assets				
Property, Plant and Equipment				
Cost	4	**1 029**	1 036	1 108
Less accumulated amortization	4	**871**	819	737
		158	217	371
Current Assets				
Cash		**530**	453	756
Term investment	8	**1 325**	875	425
Accounts receivable	6	**434**	459	455
Prepaid expenses		**17**	15	15
		2 306	1 802	1 651
Other Assets				
Intangible assets	5	-	-	1
		2 464	2 019	2 023
Liabilities and Shareholder's Equity				
Current Liabilities				
Accounts payable and accrued liabilities	8	**703**	618	724
Shareholder's Equity				
Share capital	9	-	-	-
Retained earnings		**1 761**	1 401	1 299
		1 761	1 401	1 299
		2 464	2 019	2 023

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

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2012	2011
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**5 454**	4 961
Cash paid to suppliers and employees	**(4 921)**	(4 866)
Interest received	**9**	5
Cash provided by operating activities	**542**	100
Investing Activities		
Term investment	**(450)**	(450)
Additions to property, plant and equipment, net of disposals	**(15)**	47
Cash used for investing activities	**(465)**	(403)
Net increase (decrease) in cash	**77**	(303)
Cash, beginning of year	**453**	756
Cash, end of year	**530**	453

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

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro Utility Services Limited (MHUS) is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and commenced operations on January 2, 1998. MHUS provides meter reading, interactive voice response systems, and contracted services primarily to Manitoba Hydro and Centra Gas Manitoba Inc. a wholly-owned subsidiary of Manitoba Hydro.

As a wholly-owned subsidiary of Manitoba Hydro, MHUS is not subject to income taxes under section 149(d) of the Income Tax Act (Canada).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method. The following rates are designed to depreciate the assets over their estimated useful lives:

Furniture	10.0%
Office equipment	20.0%
Computer systems	10.0%
Computer hardware	20.0%
Meter reading devices	20.0%
Interactive Voice Response (IVR) System	33.3%
Line locating equipment	20.0%

c) **Intangible Assets**

Intangible assets include computer software. They are recorded at cost and are amortized over their useful lives on a straight line basis. The expected useful life is as follows:

Computer software	10.0%

d) **Revenue**
Revenue is recognized as services are provided. Revenue from related parties is recorded at the exchange amount.

e) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

First-Time Adoption of Accounting Standards for Private Enterprises

These financial statements are the first financial statements which MHUS has prepared in accordance with Part II of the CICA Handbook – Accounting Standards for Private Enterprises, which constitutes GAAP for non-publicly accountable enterprises in Canada. MHUS has applied Section 1500, First-time Adoption retrospectively in preparing its opening balance sheet as at April 1, 2010 (the "Transition Date"). The adoption of Part II has resulted in no impact to MHUS' financial statements.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

			2012
	Cost	Accumulated Amortization	Net book value
		thousands of dollars	
Furniture	**29**	**19**	**10**
Office equipment	**12**	**12**	**-**
Computer systems	**85**	**85**	**-**
Computer hardware	**180**	**151**	**29**
Line locating equipment	**24**	**24**	**-**
Meter reading devices	**699**	**580**	**119**
	1 029	**871**	**158**

			2011
	Cost	Accumulated Amortization	Net book value
		thousands of dollars	
Furniture	29	17	12
Office equipment	12	12	-
Computer systems	86	86	-
Computer hardware	176	134	42
Line locating equipment	68	34	34
Meter reading devices	665	536	129
	1 036	819	217

NOTE 5 INTANGIBLE ASSETS

			2012
	Cost	Accumulated Amortization	Net book value
		in thousands of dollars	
Computer software	-	-	-
	-	-	-

			2011
	Cost	Accumulated Amortization	Net book value
		in thousands of dollars	
Computer software	171	171	-
	171	171	-

NOTE 6 ACCOUNTS RECEIVABLE

	2012	2011
	thousands of dollars	
Manitoba Hydro	**425**	442
Other	**9**	17
	434	459

NOTE 7 LEASE COMMITMENTS

MHUS leases its premises from Manitoba Hydro. The lease requires payments of approximately $12 thousand per year. In addition, MHUS is responsible for payment of property taxes which approximate $2 thousand annually. The lease was renewed in December 2011 and will expire in November 2012 with a one year extension option.

NOTE 8 RELATED PARTY TRANSACTIONS

MHUS identifies all financial transactions with Manitoba Hydro separately in its records at the exchange amount. During the year, Manitoba Hydro provided $287 thousand (2011 - $249 thousand) in services to MHUS. Amounts due to Manitoba Hydro in the amount of $42 thousand (2011 - $38 thousand) are included in accounts payable and accrued liabilities. MHUS paid $12 thousand (2011 - $12 thousand) rent to Manitoba Hydro. MHUS has made a term investment of surplus cash of $1 325 thousand (2011 - $875 thousand) which Manitoba Hydro has invested on its behalf. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 9 SHARE CAPITAL

An unlimited number of Class A and Class B shares authorized and ten (10) Class A shares issued. Class B shares are redeemable and retractable and are not entitled to dividends.

NOTE 10 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.

Unaudited Financial Statements of

4985371 MANITOBA LTD.

March 31, 2012

4985371 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Note	2012	2011
		dollars	
Assets			
Cash		**1**	1
		1	1
Shareholder's Equity			
Share Capital	2	**1**	1
		1	1

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

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

NOTE 1 NATURE OF THE ORGANIZATION

4985371 Manitoba Ltd was established September 14, 2004 to hold legal title of the property at 360 Portage Avenue. As a bare trustee, 4985371 Manitoba Ltd holds title to the property without any further duty to perform, except convey title to the beneficiary, Manitoba Hydro, upon demand.

NOTE 2 SHARE CAPITAL

An unlimited number of Class A common shares authorized and one Class A common share issued.

Unaudited Financial Statements of

TESHMONT LP HOLDINGS LTD.

March 31, 2012

TESHMONT LP HOLDINGS LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2012	2011
	thousands of dollars	
Revenue		
Partnership income	**642**	704
	642	704
Expenses		
Capital taxes	**10**	9
	10	9
Income before other items	**632**	695
Other Items		
Interest income	**13**	7
	13	7
Net Income	**645**	702
Retained earnings, beginning of year	**3 952**	3 250
Retained earnings, end of year	**4 597**	3 952

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

TESHMONT LP HOLDINGS LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2012	2011	(Note 3) April 1, 2010
			thousands of dollars	
Assets				
Current Assets				
Cash		**10**	10	3
Term investments	4	**1 662**	1 259	968
Receivable from Teshmont LP	5	**1 145**	903	499
		2 817	2 172	1 470
Other Assets				
Investment in partnership	6	**1 780**	1 780	1 780
		4 597	3 952	3 250
Shareholder's Equity				
Share capital		-	-	-
Retained earnings		**4 597**	3 952	3 250
		4 597	3 952	3 250
		4 597	3 952	3 250

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

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

TESHMONT LP HOLDINGS LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2012	2011
	thousands of dollars	
Operating Activities		
Proceeds from partnership income	**400**	300
Interest received	**13**	7
Cash paid to suppliers	**(10)**	(9)
Cash provided by operating activities	**403**	298
Investing Activities		
Term investments	**(403)**	(291)
Cash used for investing activities	**(403)**	(291)
Net increase in cash	**-**	7
Cash, beginning of year	**10**	3
Cash, end of year	**10**	10

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

NOTE 1 NATURE OF THE ORGANIZATION

Teshmont LP Holdings Ltd. (Teshmont Holdings) was established February 14, 2003 as a holding company of Manitoba Hydro to acquire a 40% ownership of Teshmont Consultants Limited Partnership (Teshmont LP), which carries on a high voltage engineering and consulting practice.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

(b) Revenue Recognition

The investment in Teshmont LP is accounted for by the equity method.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

First-Time Adoption of Accounting Standards for Private Enterprises

These financial statements are the first financial statements which Teshmont Holdings has prepared in accordance with Part II of the CICA Handbook – Accounting Standards for Private Enterprises, which constitutes GAAP for non-publicly accountable enterprises in Canada. Teshmont Holdings has applied Section 1500, First-time Adoption retrospectively in preparing its opening balance sheet as at April 1, 2010 (the "Transition Date"). The adoption of Part II has resulted in no impact to Teshmont Holding's financial statements.

NOTE 4 TERM INVESTMENTS

Term investments include surplus cash of $1 662 thousand (2011 - $1 259 thousand) Manitoba Hydro has invested on behalf of Teshmont Holdings. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 5 RECEIVABLE FROM TESHMONT LP

The amount of partnership income which is not distributed by Teshmont LP to Teshmont Holdings is recorded as a receivable from Teshmont LP.

	2012	2011
	thousands of dollars	
Receivable from Teshmont LP, beginning of year	**903**	499
Partnership Income	**642**	704
Distribution of income from Teshmont LP	**(400)**	(300)
Receivable from Teshmont LP, end of year	**1 145**	903

NOTE 6 INVESTMENT IN PARTNERSHIP

Teshmont Holdings acquired 40 Limited Partnership units of Teshmont LP for $1 900 thousand payable by issuance of a promissory note (Purchase Note), and 40 General Partnership units for $40. In 2005, the profits of Teshmont LP of $120 thousand were distributed proportionally to the unit holders' interests in the limited partnership.

	2012	2011
	thousands of dollars	
Investment in partnership	**1 780**	1 780

NOTE 7 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.

Unaudited Financial Statements of

5022649 MANITOBA LTD.

March 31, 2012

5022649 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2012	2011
		thousands of dollars	
Assets			
Current Assets			
Cash		**7**	1
Other Assets			
Investment in Wuskwatim Power Limited Partnership		**30**	26
		37	27
Shareholders' Equity			
Share capital	2	**37**	27
		37	27

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

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

Vince A. Warden, CMA, FCMA
Treasurer and Chair of the Audit Committee

5022649 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2012	2011
	thousands of dollars	
Financing Activities		
Proceeds from common share issue	**10**	-
Investing Activities		
Investment in partnership	**(4)**	(7)
Net increase (decrease) in cash	**6**	(7)
Cash at beginning of year	**1**	8
Cash at end of year	**7**	1

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

NOTE 1 NATURE OF THE ORGANIZATION

5022649 Manitoba Ltd. was incorporated on November 30, 2004 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Wuskwatim Power Limited Partnership and has acquired .01% ownership of the Partnership.

NOTE 2 SHARE CAPITAL

An unlimited number of common shares are authorized and 3 700 common shares have been issued.

NOTE 3 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.

Unaudited Financial Statements of

5900345 MANITOBA LTD.

March 31, 2012

5900345 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2012	2011
		dollars	
Assets			
Current Assets			
Cash		**1 000**	1 000
Other Assets			
Investment in Keeyask Hydropower Limited Partnership		**1**	1
		1 001	1 001
Shareholder's Equity			
Share Capital	2	**1 001**	1 001
		1 001	1 001

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

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of KHLP
(5900345 Manitoba Ltd.)

5900345 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2012	2011
	dollars	
Financing Activities		
Proceeds from common share issue	-	1 000
Cash provided by financing activities	-	1 000
Investing Activities		
Investment in Partnership	-	-
Cash used by investing activities	-	-
Net increase in cash	-	1 000
Cash at beginning of year	**1 000**	-
Cash at end of year	**1 000**	1 000

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

NOTE 1 NATURE OF THE ORGANIZATION

5900345 Manitoba Ltd. was incorporated on June 17, 2009 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Keeyask Hydropower Limited Partnership and has acquired .01% ownership of the Partnership.

NOTE 2 SHARE CAPITAL

An unlimited number of common shares authorized and 1001 common shares issued.

NOTE 3 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2011 have been reclassified in order to conform to the presentation adopted in 2012.