Financial statements

Centra Gas Manitoba Inc.

March 31, 2016

Building a better working world

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 sheets as at March 31, 2016 and 2015, and April 1, 2014, and the statements of income (loss), retained earnings and cash flows for the years ended March 31, 2016 and 2015, 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 International Financial Reporting Standards, 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, 2016 and 2015, and April 1, 2014, and the results of its operations and its cash flows for the years ended March 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
July 6, 2016

CENTRA GAS MANITOBA INC.
STATEMENT OF INCOME
For the year ended March 31
millions of Canadian dollars

	Notes	2016	2015
Revenues			
Commodity		**215**	274
Distribution		**139**	154
Other		**2**	1
		356	429
Expenses			
Cost of gas sold		**181**	266
Finance expense	7	**20**	19
Operating and administrative	8	**67**	70
Depreciation and amortization	9	**23**	22
Capital and other taxes	10	**16**	16
Corporate allocation	11	**12**	12
Other expenses	12	**10**	10
		329	415
Net income before net movement in regulatory balances		**27**	14
Net movement in regulatory balances	17	**(28)**	(3)
Net Income (Loss)		**(1)**	11

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

CENTRA GAS MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
millions of Canadian dollars

As at	Notes	March 31, 2016	March 31, 2015	April 1, 2014
Assets				
Current Assets				
Accounts receivable and accrued revenue	13	**53**	83	109
Natural gas inventory	14	**33**	17	-
		86	100	109
Property, Plant and Equipment	15	**488**	463	448
Non-Current Assets				
Intangible assets	16	**7**	7	8
Total assets before regulatory deferral balance		**581**	570	565
Regulatory deferral balance	17	**96**	122	124
Total assets and regulatory deferral balance		**677**	692	689
Liabilities and Equity				
Current Liabilities				
Current portion of long-term debt	18	**-**	-	35
Due to parent	19	**40**	87	41
Accounts payable and accrued liabilities	20	**45**	50	107
		85	137	183
Long-Term Debt	18	**340**	305	270
Non-Current Liabilities				
Refundable advances from customers		**12**	14	12
Deferred revenue	21	**45**	42	42
		57	56	54
Total liabilities		**482**	498	507
Equity				
Share capital	23	**121**	121	121
Retained earnings		**65**	66	55
Total equity		**186**	187	176
Total liabilities and equity before regulatory deferral balance		**668**	685	683
Regulatory deferral balance	17	**9**	7	6
Total liabilities, equity and regulatory deferral balance		**677**	692	689

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

Approved on behalf of the Board of Directors:

H. Sanford Riley
Chair of the Board

Michael C. Pyle, MBA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31
millions of Canadian dollars

	Notes	2016	2015
Operating Activities			
Cash receipts from customers		**403**	473
Cash paid to suppliers and employees		**(306)**	(447)
Interest paid		**(22)**	(22)
Cash provided by operating activities		**75**	4
Investing Activities			
Additions to property, plant and equipment	15	**(52)**	(40)
Contributions received	21	**1**	2
Other		**(12)**	(12)
Cash used for investing activities		**(63)**	(50)
Financing Activities			
Long-term advances from parent	18	**35**	35
Long-term debt repayments to parent	18	**-**	(35)
Cash provided by financing activities		**35**	-
Net increase (decrease) in cash		**47**	(46)
Advances from parent, beginning of year		**(87)**	(41)
Advances from parent, end of year		**(40)**	**(87)**

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

CENTRA GAS MANITOBA INC.
STATEMENT OF CHANGES IN EQUITY
For the year ended
millions of Canadian dollars

	Note	Retained earnings	Share capital	Total equity
Balance as at April 1, 2014	23	55	121	176
Net income		11	-	11
Balance as at March 31, 2015	23	66	121	187
Net loss		(1)	-	(1)
Balance as at March 31, 2016	23	**65**	**121**	**186**

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

NOTE 1 REPORTING ENTITY

Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 276,000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 10,000 kilometres in length. Centra is a wholly owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB). Centra's head office is located at 360 Portage Avenue, Winnipeg, Manitoba.

NOTE 2 BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS 1 *First-time Adoption of IFRS* has been applied as at April 1, 2014, Centra's transition date to IFRS. For all periods up to and including the year ended March 31, 2015, Centra prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). These financial statements for the year ended March 31, 2016 are the first Centra has prepared in accordance with IFRS.

An explanation of the application of IFRS 1 is included in Note 5 – Transition to IFRS and an explanation of how the transition to IFRS from CGAAP affected Centra's previously reported financial position, financial performance and cash flows is included in Note 6 – Reconciliations of CGAAP to IFRS.

These financial statements were approved for issue by the Board of Directors on July 6, 2016.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments accounted for in accordance with the financial instruments categories defined in Note 3(j)

(c) Functional and presentation currency

The financial statements are presented in millions of Canadian dollars, Centra's functional currency.

(d) Use of estimates and judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported as assets, liabilities, revenues and expenses.

Areas of significant management estimates are outlined in the following summary and significant accounting policies included in Note 3:

- Accrued revenue for natural gas deliveries not yet billed at year-end and allowance for doubtful accounts (Note 3(b))
- Useful life estimates for depreciable assets (Notes 3(f), 15 and 16)
- Measurement of accrued liabilities (Note 20)
- Fair value measurement of financial instruments (Notes 3(j) and 22)

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

(a) Regulatory deferral accounts

In January 2014 the International Accounting Standards Board (IASB) issued an interim standard, IFRS 14 *Regulatory Deferral Accounts,* which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. This interim standard is effective for financial reporting periods beginning on or after January 1, 2016, and is available to first-time adopters only. As early adoption is permitted, Centra has elected to adopt IFRS 14 in its first financial statements under IFRS. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expenses for regulatory purposes and the recognition of those items for financial reporting purposes. Regulatory deferral account balances arising from rate-regulated activities are recognized and measured separately if they do not meet the criteria to be recognized as an asset or liability in accordance with other standards. The balances recorded as regulatory deferral balances will be recovered or refunded in future rates, based on approvals by the PUB. These amounts would otherwise have been included in the determination of net income in the year they are incurred.

Under rate regulation, the prices charged for the sale of natural gas within Manitoba are subject to review and approval by the PUB. The rate-setting process is designed such that rates charged to natural gas customers recover costs incurred by Centra in providing natural gas service plus a sufficient contribution to retained earnings.

The following regulatory deferral account balances are initially recorded at cost and amortized on a straight-line basis using the specified periods:

Power Smart programs	10	Years*
Site restoration costs	15	years
Deferred taxes	30	years
Regulatory costs	up to 5	years

*The Power Smart regulatory deferral debit balance includes the differences between actual and planned spending on gas demand side management (DSM) for the 2013 to 2016 fiscal years with a corresponding regulatory deferral credit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

The purchased gas variance account (PGVA) is recovered or refunded through customer rates over a period determined by the PUB.

The amortization of the loss on disposal of assets, change in depreciation methodologies from average service life (ASL) to equal life group (ELG), deferred ineligible overhead and the impact of the 2014 depreciation study will be determined by the PUB at a future regulatory proceeding.

(b) Revenue recognition

Natural gas revenue is recognized upon delivery to the customer and charged in accordance with rates approved by the PUB. Unbilled revenues are recorded based on an estimated amount of natural gas delivered and not yet billed at year end.

Deferred revenue related to customer contributions is recognized over the life of the related asset for which the contribution was received.

(c) Cost of gas

Natural gas is recorded at purchased cost upon delivery to gas customers.

(d) Finance expense

Finance expense includes interest on short and long term borrowings and the Provincial Debt Guarantee Fee paid to the Province of Manitoba, foreign exchange gains and losses, offset by interest capitalized for those qualifying assets under construction. All borrowing costs are recognized using the effective interest rate method.

(e) Inventory

Natural gas inventory is valued at average cost.

Natural gas is charged to inventory when purchased and not immediately required for use. This inventory is expensed when used.

(f) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contracted services, direct labour and interest applied at the weighted average cost of debt outstanding during the period. 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.

Depreciation is calculated on a straight-line remaining life basis using the ELG procedure.

Distribution systems	10 – 75 years
Other	5 – 100 years

The estimated service lives of the assets are based upon depreciation studies conducted periodically by Centra. A depreciation study was last completed in 2015.

The net gain or loss on retirement of these assets is charged to depreciation in the period incurred and then removed through net movement in regulatory deferral balances to a regulatory debit balance. When the costs of removing an asset from service are incurred to facilitate the installation of a new asset, the costs to remove the asset from service are added to the costs of the new asset. When an asset is retired from service and not replaced with a similar asset, the costs of removing the asset from service are treated similarly to the net gain or loss on retirement of assets.

(g) Intangible assets

Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost less accumulated amortization. The cost of computer application development includes software, direct charges for labour, materials, contracted services and interest during development applied at the weighted average cost of debt outstanding during the period. Centra's intangible assets have finite useful lives and are amortized over their useful lives on a straight-line basis with the amortization included in depreciation and amortization expense. The expected useful lives are as follows:

Computer application development	5 - 11 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 last completed in 2015.

(h) Impairment of non-financial assets

Non-financial assets subject to impairment testing include intangible assets and property, plant and equipment. Centra tests material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and the present value of the future cash flows from an asset or CGU. Centra has determined its CGU to be at the reporting unit level. This is the lowest level for which there are separately identifiable cash flows as rates for natural gas revenue are set by the PUB at the reporting unit level. An impairment would be recognized as a charge against operations in the year of impairment if the carrying amount exceeded the recoverable amount.

(i) Government grants

Government grants are recognized when there is reasonable assurance they will be received and Centra will comply with the conditions associated with the grant. Government grants that compensate Centra for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate Centra for the cost of an asset are recognized as deferred revenue and are recognized over the service life of the related asset in other revenue.

(j) Financial instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments (other than financial instruments measured at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into loans and receivables or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method of amortization.

Financial assets classified as loans and receivables are subject to impairment testing at the end of each reporting period. Impairment losses are recorded when there is objective evidence that impairment has occurred due to one or more events such as default or delinquency in interest or principal payments, or significant financial difficulty experienced by the counterparty. Trade receivables that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes Centra's past historical loss rates applied to groups for which the historical loss rates were observed.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced with substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability is recorded at fair value. The differences in the respective carrying amounts are recognized as gains or losses in net income.

(k) Foreign currency translation

Revenues and expenses resulting from transactions in foreign currencies are translated to Canadian dollar equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to finance expense in the current year.

(l) Derivatives

Centra does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the statement of financial position with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with Centra's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

(m) 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.

NOTE 4 FUTURE ACCOUNTING PRONOUNCEMENTS

The following new standards and amendments are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. Centra does not have any plans to early adopt the new or amended standards and the extent of the impact on adoption of the following standards is not known at this time:

IFRS 9 – *Financial Instruments*

IFRS 9 *Financial Instruments* was finalized in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance for the classification and measurement of financial assets and liabilities, a new expected credit loss model to measure impairment of financial assets and significant improvements in hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and replaces IAS 18 *Revenue* and IFRS Interpretation Committee (IFRIC) 18 *Transfers of Assets from Customers*. The standard provides a single five step model to be applied to all contracts with customers to determine when to recognize revenue and at what amount. The underlying principle of IFRS 15 is that an entity recognizes revenue that shows the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 – *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces current lease accounting requirements under IFRS. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Disclosure Initiative

In December 2014, the IASB issued *Disclosure Initiative* (Amendments to IAS 1 *Presentation of Financial Statements*). These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016.

NOTE 5 TRANSITION TO IFRS

IFRS Exemptions under IFRS 1 First-time Adoption of IFRS

Centra adopted IFRS on April 1, 2015 and applied IFRS 1 for the preparation of these first annual IFRS financial statements. As IFRS requires comparative financial information, Centra has applied IFRS 1 on the transition date of April 1, 2014.

IFRS 1 provides mandatory and optional exemptions to the requirement for full retrospective application of IFRS. Centra has applied the following relevant mandatory and optional exemptions in the opening IFRS statement of financial position:

IFRS mandatory exemption:

Significant estimates

IFRS 1 stipulates that estimates made in accordance with IFRS at the date of transition should be consistent with those estimates under previous generally accepted accounting principles (GAAP). As such, the estimates made under CGAAP were not revised at the transition date except where necessary to reflect differences in accounting policies.

IFRS optional exemptions:

(a) Deemed cost

IFRS 1 provides entities with rate-regulated activities the option to use the carrying amount of property, plant and equipment and intangible asset balances from their previous GAAP as deemed cost upon transition. Carrying amounts under CGAAP were based on cost. Centra has applied this exemption.

(b) Borrowing costs

IFRS 1 provides first-time adopters the option of applying the requirements of IAS 23 *Borrowing Costs* prospectively from the transition date or from an earlier date. IAS 23 requires the interest capitalization rate to be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. Centra applied the requirements of IAS 23 effective April 1, 2010.

(c) Transfers of assets from customers

Under IFRS 1, entities have the option to apply the requirements of IFRIC 18 *Transfers of Assets from Customers* prospectively from the transition date or from an earlier date. Centra applied these requirements at the transition date. As a result, contributions in aid of construction were reclassified to deferred revenue and are subsequently recognized in other revenue over the lives of the related assets.

(in millions of Canadian dollars)

Adjustments to Equity upon Adoption of IFRS

The transition to IFRS generally requires retrospective application of changes in accounting policies resulting from differences from existing GAAP. The following table summarizes the comparative adjustments at April 1, 2014:

	Note	Retained earnings
CGAAP at April 1, 2014		62
Restatement of employee pensions	(a)	(4)
Restatement of employee benefits	(b)	(3)
Total IFRS adjustments		(7)
IFRS at April 1, 2014		55

Employee benefit assets and liabilities are reported on the consolidated statement of financial position of the parent company, Manitoba Hydro, with a portion of the related benefit costs allocated annually to Centra. The following paragraphs summarize the transition adjustments related to employee benefits that were made by Manitoba Hydro as at April 1, 2014.

(a) Restatement of employee pensions

In accordance with IAS 19 *Employee Benefits*, opening retained earnings recognizes the retrospective re-measurement of the interest on the pension assets by applying the discount rate used to measure the pension obligation, in addition to the elimination of the corridor amortization and amortization of plan amendments.

(b) Restatement of employee benefits

Under CGAAP, only legally vested obligations were recorded whereas under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested. As a result, upon transition to IFRS the sick leave vesting and severance obligations require re-measurement. These adjustments have been reflected in retained earnings.

Under IAS 19, re-measurements for employee benefits can no longer be deferred and amortized. Deferrals related to other employee future benefits were adjusted to retained earnings on transition to IFRS.

At April 1, 2014, Centra was allocated its share of the transition adjustments related to employee benefits resulting in an adjustment to retained earnings of $4 million for employee pensions and $3 million for employee benefits.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 6 RECONCILIATIONS OF CGAAP TO IFRS

STATEMENT OF FINANCIAL POSITION

As at April 1, 2014	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Accounts receivable and accrued revenue		109	-	-	**109**
Inventory		-	-	-	**-**
		109	-	-	**109**
Property, Plant and Equipment		448		-	**448**
Non-Current Assets					
Intangible assets		8	-	-	**8**
Regulated assets	(i)	124	-	(124)	**-**
		132	-	(124)	**8**
Total assets before regulatory deferral balance		689	-	(124)	**565**
Regulatory deferral balance	(i)	-	-	124	**124**
		689	-	-	**689**
Liabilities and Equity					
Current Liabilities					
Current portion of long-term debt		35	-	-	**35**
Due to parent	A	34	7	-	**41**
Accounts payable and accrued liabilities		107	-	-	**107**
		176	7	-	**183**
Long-Term Debt		270	-	-	**270**
Non-Current Liabilities					
Regulated liabilities	(i)	6	-	(6)	**-**
Refundable advances from customers		12	-	-	**12**
Deferred revenue		42	-	-	**42**
		60	-	(6)	**54**
Total liabilities		506	7	(6)	**507**
Equity					
Share capital		121	-	-	**121**
Retained earnings	A	62	(7)	-	**55**
		183	(7)	-	**176**
Total liabilities and equity before regulatory deferral balance		689	-	(6)	**683**
Regulatory deferral balance	(i)	-	-	6	**6**
		689	-	-	**689**

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

STATEMENT OF FINANCIAL POSITION

As at March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Accounts receivable and accrued revenue		83	-	-	**83**
Inventory		17	-	-	**17**
		100	-	-	**100**
Property, Plant and Equipment	B, C, D	466	(3)	-	**463**
Non-Current Assets					
Intangible assets		7	-	-	**7**
Regulated assets	(i)	116	-	(116)	**-**
		123	-	(116)	**7**
Total assets before regulatory deferral balance		689	(3)	(116)	**570**
Regulatory deferral balance	(i), D	-	6	116	**122**
		689	3	-	**692**
Liabilities and Equity					
Current Liabilities					
Due to parent	A	79	8	-	**87**
Accounts payable and accrued liabilities		50	-	-	**50**
		129	8	-	**137**
Long-Term Debt		305	-	-	**305**
Non-Current Liabilities					
Regulated liabilities	(i)	6	-	(6)	**-**
Refundable advances from customers		14	-	-	**14**
Deferred revenue		42	-	-	**42**
		62	-	(6)	**56**
Total liabilities		496	8	(6)	**498**
Equity					
Share capital		121	-	-	**121**
Retained earnings	A	72	(6)	-	**66**
		193	(6)	-	**187**
Total liabilities and equity before regulatory deferral balance		689	2	(6)	**685**
Regulatory deferral balance	D, (i)	-	1	6	**7**
		689	3	-	**692**

(in millions of Canadian dollars)

STATEMENT OF INCOME

For the year ended March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Revenues					
Domestic		426	-	2	**428**
Other	(ii)	2	-	(1)	**1**
		428	-	1	**429**
Expenses					
Cost of gas sold	D	274	(8)	-	**266**
Finance expense	D	16	3	-	**19**
Operating and administrative	A, C	67	3	-	**70**
Depreciation and amortization	(ii), B, D	29	(8)	1	**22**
Capital and other taxes	D	20	(4)	-	**16**
Corporate allocation		12	-	-	**12**
Other expenses	D	-	10	-	**10**
		418	(4)	1	**415**
Net income before net movement in regulatory balances		10	4	-	**14**
Net movement in regulatory balances	D	-	(3)	-	**(3)**
Net Income		10	1	-	**11**

Adjustments

A. Pensions and benefits

Pension adjustment

Under IFRS the expected return on plan assets is replaced by interest income calculated using the fair value of plan assets with the same discount rate used to measure the pension obligation. Under CGAAP market-related values were used to estimate the expected return on plan assets. This adjustment is reflected in retained earnings.

Under IAS 19, past service costs arise when an entity introduces a new defined benefit plan or change to the benefits payable. These improvements are recognized immediately in profit or loss whereas under CGAAP these costs were deferred and amortized. The requirements of IAS 19 were applied retrospectively with the adjustment reflected in retained earnings.

(in millions of Canadian dollars)

The impacts at April 1, 2014 and March 31, 2015 from this change were as follows:

Impact to statement of financial position:

	March 31, 2015	April 1, 2014
Increase to due to parent	$3 million	$4 million
Decrease to retained earnings	$4 million	$4 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Decrease to operating and administrative expense	$1 million	-

Benefits adjustment

There are some measurement differences for some of the post-employment benefit liabilities. Under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested for the sick leave vesting and severance liabilities whereas under CGAAP only legally vested liabilities are recorded. For the retiree health spending and long-term disability liabilities, actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are deferred and amortized under CGAAP whereas under IFRS they are expensed as they occur. The impacts at April 1, 2014 and March 31, 2015 from this change were as follows:

Impact to statement of financial position:

	March 31, 2015	April 1, 2014
Increase to due to parent	$4 million	$3 million
Decrease to retained earnings	$3 million	$3 million

Impact to statement of income:

	March 31, 2015	April 1, 2014
Increase to operating and administrative expense	$1 million	-

B. Depreciation valuation

IFRS is more specific than CGAAP with respect to the level of componentization by which assets can be grouped for determining depreciation. In order to comply with the componentization requirements of IAS 16 *Property, Plant and Equipment*, Centra changed from the ASL method of depreciation to the ELG method. The ELG method calculates depreciation with consideration of the different service lives for each of the assets within a component group. In addition to the change to the ELG method, Centra also eliminated the provision for asset decommissioning costs (negative salvage) that was previously included in depreciation rates under CGAAP. The provision represented a high level estimate of the costs to decommission an asset and was utilized to promote intergenerational equity in customer rate setting. The inclusion of this provision in depreciation rates is not permitted under IFRS. For the year ended March 31, 2015, these changes had the following impacts:

Decrease to depreciation and amortization for the following:

Removal of negative salvage value	($4) million
Depreciation valuation from ASL to ELG	$2 million*
Increase to property, plant and equipment	$2 million

* This impact to depreciation and amortization expense has been deferred as a regulatory debit balance (Note 6, section D).

C. Overhead not eligible for capitalization (ineligible overhead)

IFRS is more explicit than CGAAP with respect to the costs that may be included in the cost of a capital project. IAS 16 and IAS 38 *Intangible Assets* do not permit the capitalization of overhead and administrative costs that are not directly attributable to a capital project. Consequently, Centra no longer capitalizes these costs.

For the year ended March 31, 2015, these changes had the following impacts:

Decrease to property, plant and equipment	$ 2 million
Increase to operating and administrative expense	$ 3 million**

** $1 million of this increase to operating and administrative expense has been deferred as a regulatory debit balance (Note 6, section D).

D. Regulatory deferral account balances

IFRS 14 *Regulatory Deferral Accounts* specifies the financial reporting requirements for regulatory deferral account balances that arise from rate-regulation. This standard requires the statement of income above net movement in regulatory balances to be presented in a manner that does not include the impacts of rate-regulation. As a result, additions to regulatory deferral balances have been expensed in the line items above net movement in regulatory balances and amortization has been removed. Consequently, the additions are ultimately deferred and amortization is recognized through net movement in regulatory balances. This presentation is intended to isolate the movement of regulatory deferral accounts to allow comparability with those entities not applying IFRS 14.

The following adjustments were made to the statement of income and statement of financial position:

Additions

Additions to regulatory deferral balances relating to carrying costs have been presented in finance expense. These impacts resulted in an increase to finance expense under IFRS of $2 million for the year ended March 31, 2015.

Additions to regulatory deferral debit balances relating to deferred ineligible overhead resulted in an increase to the regulatory deferral debit balances of $1 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the change in depreciation method resulted in an increase to the regulatory deferral debit balances of $2 million at March 31, 2015.

Additions to regulatory deferral debit balances relating to the loss on disposal of assets resulted in an increase to regulatory deferral debit balances and a decrease in property, plant and equipment of $3 million at March 31, 2015 with a corresponding increase to depreciation and amortization expense.

Additions to Power Smart programs, site restoration and regulatory costs have been presented in other expenses resulting in an increase to other expenses of $10 million for the year ended March 31, 2015.

Additions to regulatory deferral credit balances relating to the impact of the 2014 depreciation study have been presented in depreciation and amortization resulting in a decrease in depreciation and amortization expense and an increase in regulatory deferral credit balances of $1 million at March 31, 2015.

Amortization

Amortization of regulatory deferral balances have been removed from depreciation and amortization under IFRS resulting in a decrease of $9 million for the year ended March 31, 2015.

Amortization of deferred taxes has been removed from capital and other taxes under IFRS resulting in a decrease of $4 million for the year ended March 31, 2015.

Recovery or reversal of the PGVA

Cost of gas sold under CGAAP was calculated based on rates approved by the PUB. IFRS 14 requires the regulatory impacts on cost of gas sold to be removed to reflect actual commodity costs. The March 31, 2015 impact of removing regulatory impacts from cost of gas sold is a reduction in cost of gas sold of $8 million. Carrying costs have been presented in finance expense resulting in an increase to finance expense under IFRS of $1 million for the year ended March 31, 2015.

(in millions of Canadian dollars)

Net movement in regulatory deferral balances was impacted by these required changes for the year ended March 31, 2015 as follows:

Additions	
Finance expense	2
Operating and administrative expense	1
Depreciation and amortization expense	4
Other expenses	10
	17
Amortization	
Depreciation and amortization	(9)
Capital and other taxes	(4)
	(13)
Recovery or reversal of the PGVA	
Cost of gas sold	(8)
Finance expense	1
	(7)
Net impact to net movement in regulatory balances	(3)

Reclassifications

i. Presentation of Regulatory Deferral Accounts

IFRS 14 requires separate disclosure in the statement of financial position for the total of all regulatory deferral debit balances and the total of all regulatory deferral credit balances. As such, amounts presented as regulated assets and regulated liabilities under CGAAP have been reclassified to regulatory deferral debit and regulatory deferral credit balances on the statement of financial position. This resulted in decreases in the regulated assets balance by $124 million and $116 million at April 1, 2014 and March 31, 2015, respectively with corresponding increases to the regulatory deferral debit balance. Regulated liabilities also decreased by $6 million and $6 million at April 1, 2014 and March 31, 2015, respectively with a corresponding increase to the regulatory deferral credit balance.

ii. Deferred revenue

Under IFRIC 18 contributions in aid of construction are initially recorded as deferred revenue and subsequently recognized in revenue over the life of the related asset. Under CGAAP, amortization of contributions was recognized in depreciation and amortization. This reclassification resulted in an increase in other revenue of $1 million for the year ended March 31, 2015 with a corresponding increase to depreciation and amortization.

(in millions of Canadian dollars)

The following table provides the impact on the statement of cash flows:

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015	CGAAP	Effect of Transition	**IFRS**
Cash provided by (used for) operating activities	2	(5)	**(3)**
Cash used for investing activities	(47)	5	**(42)**

The changes in classification of cash flows under IFRS are primarily due to the reclassification of adjustments relating to regulatory balances within operating activities and investing activities related to ineligible overhead, change in depreciation method from ASL to ELG, meter exchanges and loss on disposal of assets.

NOTE 7 FINANCE EXPENSE

	2016	2015
Interest on debt	**14**	14
Provincial Guarantee Fee	**4**	3
Other	**2**	2
	20	19

The Provincial Guarantee Fee during the year was equivalent to 1.0% of Centra's total outstanding debt (2015 – 1%).

NOTE 8 OPERATING AND ADMINISTRATIVE

	2016	2015
Salaries and benefits	**50**	52
External services	**10**	11
Materials, motor vehicles and supplies	**5**	5
Other	**2**	2
	67	70

Additional salaries and benefits are included in other expenses (Note 12) in the amount of $3 million (2015 - $2 million).

(in millions of Canadian dollars)

NOTE 9 DEPRECIATION AND AMORTIZATION

	2016	2015
Depreciation of property, plant and equipment (Note 15)	**17**	16
Amortization of intangible assets (Note 16)	**3**	3
Loss on disposal of property, plant and equipment	**3**	3
	23	22

Included in the expense above is depreciation and amortization on common infrastructure assets which are allocated to Centra. These common infrastructure assets are not carried on Centra's financial statements as these assets reside on the financial statements of the parent company, Manitoba Hydro.

NOTE 10 CAPITAL AND OTHER TAXES

	2016	2015
Property tax and grants in lieu of tax	**12**	12
Corporate capital tax	**3**	3
Payroll tax	**1**	1
	16	16

NOTE 11 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between Manitoba Hydro natural gas and electricity operations in accordance with the synergies and benefits derived by each Manitoba Hydro segment at the time of acquisition.

(in millions of Canadian dollars)

NOTE 12 OTHER EXPENSES

	2016	2015
Power Smart programs	**10**	9
Miscellaneous	-	1
	10	10

Of the total other expenses, $10 million (2015 – $10 million) are subsequently deferred in regulatory deferral balances through net movement in regulatory balances (Note 17).

NOTE 13 ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

	March 31, 2016	March 31, 2015	April 1, 2014
Trade accounts receivable	**40**	64	80
Accrued revenue	**15**	20	29
Taxes receivable	**1**	1	2
Allowance for doubtful accounts	**(3)**	(2)	(2)
	53	83	109

NOTE 14 NATURAL GAS INVENTORY

Natural gas inventory recognized as an expense during the year was $22 million (2015 - $51 million). The write-down of inventory during 2016 was nil (2015 – nil). No reversals of write-downs occurred during the year (2015 – nil).

(in millions of Canadian dollars)

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Distribution systems	Other	Construction in progress	Total
Cost or deemed cost				
Balance, April 1, 2014	441	3	4	448
Additions	25	-	4	29
Disposals and/or retirements	(2)	-	-	(2)
Assets placed in service*	2	-	(2)	-
Balance, March 31, 2015	466	3	6	475
Additions	31	-	10	41
Disposals and/or retirements	(3)	-	-	(3)
Assets placed in service*	4	-	(4)	-
Balance, March 31, 2016	**498**	**3**	**12**	**513**
Accumulated depreciation				
Balance, April 1, 2014	-	-	-	-
Depreciation expense	14	-	-	14
Disposals and/or retirements	(2)	-	-	(2)
Balance, March 31, 2015	12	-	-	12
Depreciation expense	15	-	-	15
Disposals and/or retirements	(2)	-	-	(2)
Balance, March 31, 2016	**25**	**-**	**-**	**25**
Net book value				
Balance, April 1, 2014	441	3	4	448
Balance, March 31, 2015	454	3	6	463
Balance, March 31, 2016	**473**	**3**	**12**	**488**

*Represents projects that were in "Construction in progress" at the beginning of the year.

As at April 1, 2014, Centra applied the deemed cost exemption that is available under IFRS 1. This exemption allows rate-regulated entities that are first-time adopters of IFRS the option to use the carrying amount of property, plant and equipment from their previous GAAP as deemed cost upon transition. The application of this exemption to these balances resulted in an opening accumulated depreciation balance of zero for property, plant and equipment as at April 1, 2014.

Included in additions is interest capitalized during construction of $0.3 million.

(in millions of Canadian dollars)

NOTE 16 INTANGIBLE ASSETS

	Computer application development	Land easements	Under development	Total
Cost or deemed cost				
Balance, April 1, 2014	4	4	-	8
Additions	-	-	-	-
Disposals and/or retirements	-	-	-	-
Assets placed in service	-	-	-	-
Balance, March 31, 2015	4	4	-	8
Additions	-	1	-	1
Disposals and/or retirements	(1)	-	-	(1)
Assets placed in service	-	-	-	-
Balance, March 31, 2016	**3**	**5**	-	**8**
Accumulated amortization				
Balance, April 1, 2014	-	-	-	-
Amortization	1	-	-	1
Disposals and/or retirements	-	-	-	-
Balance, March 31, 2015	1	-	-	1
Amortization	1	-	-	1
Disposals and/or retirements	(1)	-	-	(1)
Balance, March 31, 2016	**1**	-	-	**1**
Net book value				
Balance, April 1, 2014	4	4	-	8
Balance, March 31, 2015	3	4	-	7
Balance, March 31, 2016	**2**	**5**	-	**7**

Centra applied the deemed cost exemption available under IFRS 1 as at April 1, 2014 which allows first-time adopters of IFRS subject to rate regulation the option to use the carrying amount of intangible asset balances from their previous GAAP as deemed cost upon transition. Applying this exemption resulted in an opening accumulated amortization balance of zero for intangible assets as at April 1, 2014.

Computer application development is a combination of internally generated and externally acquired intangible assets.

(in millions of Canadian dollars)

NOTE 17 REGULATORY DEFERRAL BALANCES

	March 31, 2015	Balances arising in the year	Recovery / reversal	**March 31, 2016**	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Power Smart programs[1]	55	10	(8)	**57**	1 - 10
PGVA	32	181	(213)	**-**	*
Deferred taxes	25	2	(4)	**23**	1 - 30
Site restoration	3	-	-	**3**	1 - 15
Loss on disposal of assets	3	3	-	**6**	**
Change in depreciation method	2	2	-	**4**	**
Regulatory costs	1	1	(1)	**1**	1 - 5
Deferred ineligible overhead	1	1	-	**2**	**
	122	200	(226)	**96**	
Regulatory deferral credit balances					
DSM deferral	6	-	-	**6**	**
PGVA	-	-	1	**1**	*
Impact of 2014 depreciation study	1	1	-	**2**	**
	7	1	1	**9**	
Net movement in regulatory balances		199	(227)	**(28)**	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for gas DSM programs.

* The PGVA is recovered or refunded in future rates.

** The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

(in millions of Canadian dollars)

	April 1, 2014	Balances arising in the year	Recovery / reversal	March 31, 2015	Remaining recovery / reversal period *(years)*
Regulatory deferral debit balances					
Power Smart programs[1]	54	9	(8)	55	1 - 10
PGVA	39	266	(273)	32	*
Deferred taxes	27	2	(4)	25	1 - 30
Site restoration	3	-	-	3	1 - 15
Loss on disposal of assets	-	3	-	3	**
Change in depreciation method	-	2	-	2	**
Regulatory costs	1	1	(1)	1	1 - 5
Deferred ineligible overhead	-	1	-	1	**
	124	284	(286)	122	
Regulatory deferral credit balances					
DSM deferral	6	-	-	6	**
Impact of 2014 depreciation study	-	1	-	1	**
	6	1	-	7	
Net movement in regulatory balances		283	(286)	(3)	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for gas DSM programs.

* The PGVA is recovered or refunded in future rates.

** The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

The balances arising in the year consist of additions to regulatory deferral balances. The recovery/reversal consists of amounts recovered from customers through the amortization of existing regulatory balances or rate riders. The net impact of these transactions results in the net movement of regulatory deferral balances on the statement of income.

Balances arising in the year include $2 million (2015 - $3 million) for carrying costs on deferred taxes and the PGVA.

The regulatory deferral debit balances of Centra consist of the following:

Power Smart program expenditures are incurred for energy conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently.

Deferred taxes are the taxes paid by Centra (July 1999) as a result of its change to non-taxable status upon acquisition by Manitoba Hydro.

Site restoration expenditures are incurred for the remediation of contaminated Centra facilities.

Loss on disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.

Change in depreciation method represents the cumulative annual difference in depreciation expense between the ASL method of depreciation as applied by Centra prior to its transition to IFRS and the ELG method as applied by Centra under IFRS.

Regulatory costs are incurred as a result of gas regulatory hearings.

Consistent with its parent company Manitoba Hydro, Centra is deferring the annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate setting purposes.

The regulatory deferral credit balances of Centra consist of the following:

Demand side management (DSM) deferral - In Order 85/13, the PUB directed that the differences between actual and planned spending on gas Power Smart programs for the 2012-13 and 2013-14 fiscal years be recognized as a liability. There were no differences in fiscal 2014-15 and 2015-16 spending to be added to this deferral. The cumulative differences have been recorded as a regulatory deferral account credit balance with an offsetting balance recorded as a regulatory deferral debit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

Purchased gas variance 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. Purchased gas variance accounts are reflected as regulatory debit or credits depending if the amounts represent a recovery from or a refund to the customers, respectively.

Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The PUB requires the use of 2010 ASL depreciation rates for Centra for rate setting purposes pending review at the next gas regulatory proceeding.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016
(in millions of Canadian dollars)

NOTE 18 LONG-TERM DEBT

Balance, April 1, 2014	270
Issues	35
Maturities	-
Amortization of transaction costs	-
Balance, March 31, 2015	305
Issues	35
Maturities	-
Amortization of transaction costs	-
	340
Less: current portion	-
Balance, March 31, 2016	**340**

Long-term debt is comprised of long-term advances from Centra's parent company, Manitoba Hydro. During the year, Centra arranged long-term financing of $35 million (2015 - $35 million).

Debt principal repayment amounts and related yields are summarized by fiscal years of maturity in the following table:

Years of maturity	Principal	Weighted average yield rate	**2016 Total**	2015 Total
2017	-		**-**	-
2018	-		**-**	-
2019	-		**-**	-
2020	-		**-**	-
	-		**-**	-
2021-2025	30	3.26%	**30**	30
2026-2030	65	3.78%	**65**	30
2031-2035	80	4.88%	**80**	80
2036-2040	110	4.74%	**110**	110
2041-2045	20	3.41%	**20**	20
2046-2050	35	2.90%	**35**	35
	340	4.20%	**340**	305

NOTE 19 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus a 1% allocation related to the Provincial Debt Guarantee Fee. The effective rate for the year was 0.49% (2015 – 0.84%). There are no fixed repayment terms.

(in millions of Canadian dollars)

NOTE 20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2016	March 31, 2015	April 1, 2014
Trade and other payables	**37**	40	96
Taxes payable	**7**	9	10
Employee payroll and benefit accruals	**1**	1	1
	45	50	107

Included in accounts payable and accrued liabilities are accruals based on an estimated amount of services completed or goods and materials received but not invoiced.

NOTE 21 DEFERRED REVENUE

Deferred revenue is comprised of contributions in aid of construction which are required from customers whenever the costs of extending service exceed specified construction allowances. These contributions include government grants. Contributions are initially recorded as deferred revenue and are subsequently recognized as revenue over the lives of the related assets.

NOTE 22 FINANCIAL INSTRUMENTS

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

		March 31, 2016		March 31, 2015		April 1, 2014	
	Level	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Loans and receivables							
Accounts receivable and accrued revenue	*	**53**	**53**	83	83	109	109
Other financial liabilities							
Accounts payable and accrued liabilities	*	**25**	**25**	31	31	89	89
Due to parent	*	**40**	**40**	87	87	41	41
Long-term debt (including current portion)	2	**340**	**394**	305	378	305	334

* carried at values that approximate fair value

(in millions of Canadian dollars)

The fair value measurement of financial instruments is classified in accordance with a three-level hierarchy, 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.

Fair value Level 2 measurements are derived from quoted market yields at the close of business on the statement of financial position date for similar instruments available in the capital market. The carrying values of all other financial assets and liabilities approximate their fair values.

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 foreign currency, 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 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.

Centra is exposed to credit risk related to domestic energy sales. Credit risk related to domestic sales is mitigated by the large and diversified gas customer base. The maximum exposure to credit risk related to domestic energy sales is its fair value.

The values of Centra's aged accounts receivable and related allowance for doubtful accounts are presented in the following table:

	March 31, 2016	March 31, 2015	April 1, 2014
Under 30 days	**34**	56	72
31 to 60 days	**3**	4	4
61 to 90 days	**1**	2	2
Over 90 days	**2**	2	2
	40	64	80
Allowance for doubtful accounts	**(3)**	(2)	(2)
Total accounts receivable	**37**	62	78

(in millions of Canadian dollars)

The allowance for doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. Centra meets its financial obligations when due through cash generated from operations as well as short-term borrowings and long-term borrowings advanced from Manitoba Hydro.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the statement of financial position date:

	Carrying value	2017	2018	2019	2020	2021	2022 and thereafter
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	45	45	-	-	-	-	-
Due to parent	40	40	-	-	-	-	-
Long-term debt (including current portion)	340	14	14	14	14	14	532
		99	14	14	14	14	532

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. As at March 31, 2016, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively by $0.3 million (2015 - $0.4 million).

(ii) Commodity Price Risk

Centra is exposed to commodity price risk through its purchase of natural gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the limited use of natural gas price swaps. At March 31, 2016, there was an immaterial unrealized fair value of natural gas derivative contracts (2015 – nil).

(in millions of Canadian dollars)

NOTE 23 SHARE CAPITAL

	March 31, 2016	March 31, 2015	April 1, 2014
Share capital			
Authorized			
Unlimited number of common shares			
Issued			
1 505 common shares	**121**	121	121

NOTE 24 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure that there is sufficient retained earnings 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.

NOTE 25 RELATED PARTIES

Centra is a wholly owned subsidiary of Manitoba Hydro, a Crown corporation controlled by the Province of Manitoba. As a result, Centra has a related party relationship with its parent, Manitoba Hydro, other subsidiaries of Manitoba Hydro, and all entities that are controlled, jointly controlled or significantly influenced by the Province of Manitoba.

As Centra's operations are significantly integrated with the operations of Manitoba Hydro, substantially all of Centra's cash receipts and disbursements are received or issued through Manitoba Hydro with the exception of transactions directly related to the purchase of natural gas. Related party transactions with its parent include operating and administrative costs, interest on advances and depreciation and amortization on common infrastructure assets.

Key management personnel compensation

Key management personnel services are provided to Centra by the Board of Directors and senior officers of Manitoba Hydro. Amounts incurred by Centra during the year for the provision of key management personnel services provided by Manitoba Hydro are immaterial (2015 – immaterial).

NOTE 26 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $181 million (2015 - $199 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Due to the size, complexity and nature of Centra's operations, various legal and operational matters are pending. Management believes that any settlements related to these matters will not have an adverse effect on Centra's financial position or results of operations.