

Consolidated Financial Statements

Management's Report

The consolidated financial statements and other financial information included in this Annual Report are the responsibility of, and have been prepared by, the management of Boralex Inc. within reasonable limits of materiality. To fulfill this responsibility, management maintains appropriate systems of internal control, policies and procedures. These systems of internal control, policies and procedures help ensure that the Corporation's reporting practices and accounting and administrative procedures provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are safeguarded and transactions are executed in accordance with proper authorization. These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are summarized in the consolidated financial statements. Where appropriate, these consolidated financial statements reflect estimates based on management's best judgment. Financial information presented elsewhere in this Annual Report is consistent, where applicable, with that reported in the accompanying consolidated financial statements.

The audited consolidated financial statements have been reviewed by the Board of Directors and by its Audit Committee. The Audit Committee consists exclusively of independent directors and meets periodically during the year with the independent auditor. The independent auditor has full access to and meets with the Audit Committee both in the presence and absence of management.

PricewaterhouseCoopers LLP has audited the consolidated financial statements of Boralex Inc. The independent auditor's responsibility is to express a professional opinion on the fairness of the consolidated financial statement presentation. The Independent Auditor's Report outlines the scope of its audits and sets forth its opinion on the consolidated financial statements.

(s) Patrick Lemaire

Patrick Lemaire

President and Chief Executive Officer

(s) Jean-François Thibodeau

Jean-François Thibodeau

Vice-President and Chief Financial Officer

Montréal, Québec

March 9, 2015

Independent Auditor's Report

To the Shareholders of Boralex Inc.

We have audited the accompanying consolidated financial statements of Boralex Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss, comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and 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 International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 Boralex Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(s) PricewaterhouseCoopers LLP¹

Montréal, Québec

March 9, 2015

¹ CPA auditor, CA, public accountancy permit No. A126402

Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS	103
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	108
NOTE 1 INCORPORATION AND NATURE OF BUSINESS	108
NOTE 2 BASIS OF PRESENTATION	108
NOTE 3 SIGNIFICANT ACCOUNTING POLICIES	108
NOTE 4 MAIN SOURCES OF UNCERTAINTY	117
NOTE 5 BUSINESS COMBINATIONS	119
NOTE 6 TRADE AND OTHER RECEIVABLES	120
NOTE 7 INVENTORIES	120
NOTE 8 PROPERTY, PLANT AND EQUIPMENT	121
NOTE 9 OTHER INTANGIBLE ASSETS AND GOODWILL	122
NOTE 10 INTERESTS IN THE JOINT VENTURES	123
NOTE 11 OTHER NON-CURRENT ASSETS	126
NOTE 12 TRADE AND OTHER PAYABLES	126
NOTE 13 NON-CURRENT DEBT	127
NOTE 14 CONVERTIBLE DEBENTURES	130
NOTE 15 INCOME TAXES	131
NOTE 16 DECOMMISSIONING LIABILITY	132
NOTE 17 CAPITAL STOCK, CONTRIBUTED SURPLUS AND DIVIDENDS	132
NOTE 18 STOCK-BASED COMPENSATION	133
NOTE 19 ACCUMULATED OTHER COMPREHENSIVE LOSS	134
NOTE 20 NON-CONTROLLING SHAREHOLDERS	135
NOTE 21 EXPENSES BY NATURE	136
NOTE 22 OTHER GAINS	136
NOTE 23 FINANCING COSTS	136
NOTE 24 DISCONTINUED OPERATIONS	137
NOTE 25 NET LOSS PER SHARE	137
NOTE 26 CHANGE IN NON-CASH ITEMS RELATED TO OPERATING ACTIVITIES	137
NOTE 27 FINANCIAL INSTRUMENTS	138
NOTE 28 FINANCIAL RISKS	140
NOTE 29 CAPITAL MANAGEMENT	142
NOTE 30 COMMITMENTS AND CONTINGENCY	144
NOTE 31 RELATED PARTY TRANSACTIONS	147
NOTE 32 SEGMENTED INFORMATION	148
NOTE 33 SUBSEQUENT EVENTS	151

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)		As at December 31, 2014	As at December 31, 2013
	Note		
ASSETS			
Cash and cash equivalents		75,394	124,942
Restricted cash		12,459	19,366
Trade and other receivables	6	59,154	41,625
Inventories	7	5,620	4,502
Other current financial assets	27	1,213	—
Prepaid expenses		5,358	2,945
CURRENT ASSETS		159,198	193,380
Property, plant and equipment	8	1,215,411	799,213
Intangible assets	9	254,007	257,058
Goodwill	9	134,044	49,890
Interests in the Joint Ventures	10	91,483	90,880
Deferred income tax asset	15	13,141	—
Other non-current financial assets	27	3,230	289
Other non-current assets	11	47,445	32,017
NON-CURRENT ASSETS		1,758,761	1,229,347
TOTAL ASSETS		1,917,959	1,422,727
LIABILITIES			
Trade and other payables	12	57,616	57,992
Current portion of debt	13	172,044	84,034
Current income tax liability		1,601	1,516
Other current financial liabilities	27	34,116	15,243
CURRENT LIABILITIES		265,377	158,785
Non-current debt	13	989,087	578,914
Convertible debentures	14	232,977	229,578
Deferred income tax liability	15	30,780	37,493
Decommissioning liability	16	10,773	7,198
Other non-current financial liabilities	27	33,622	19,704
Other non-current liabilities		19,024	4,921
NON-CURRENT LIABILITIES		1,316,263	877,808
TOTAL LIABILITIES		1,581,640	1,036,593
EQUITY			
Equity attributable to shareholders		303,191	356,448
Non-controlling shareholders		33,128	29,686
TOTAL EQUITY		336,319	386,134
TOTAL LIABILITIES AND EQUITY		1,917,959	1,422,727

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

The Board of Directors approved these audited annual consolidated financial statements on March 9, 2015.

(s) Robert F. Hall

Robert F. Hall, Director

(s) Pierre Seccareccia

Pierre Seccareccia, Director

Consolidated Statements of Loss

(in thousands of Canadian dollars, except per share amounts)			2014	2013
	Note			
REVENUES				
Revenues from energy sales			193,401	169,023
Other income			1,827	3,009
			195,228	172,032
COSTS AND OTHER EXPENSES				
Operating	21		64,296	54,357
Administrative	21		13,479	13,214
Development			10,319	4,145
Amortization			60,410	53,888
Other gains	22		(1,962)	(232)
Impairment of property, plant and equipment	8		—	266
			146,542	125,638
OPERATING INCOME			48,686	46,394
Financing costs	23		58,097	50,693
Foreign exchange loss (gain)			406	(788)
Net loss (gain) on financial instruments			8,187	(742)
Share in earnings (losses) of the Joint Ventures	10		3,426	(2,116)
Other			17	63
LOSS BEFORE INCOME TAXES			(14,595)	(4,948)
Income tax expense (recovery)	15		(854)	537
NET LOSS FROM CONTINUING OPERATIONS			(13,741)	(5,485)
Net earnings from discontinued operations	24		2,652	1,774
NET LOSS			(11,089)	(3,711)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
Shareholders of Boralex			(11,767)	(3,838)
Non-controlling shareholders			678	127
NET LOSS			(11,089)	(3,711)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations			(14,419)	(5,612)
Discontinued operations	24		2,652	1,774
			(11,767)	(3,838)
NET EARNINGS (LOSS) PER SHARE BASIC AND DILUTED ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations			(\$0.38)	(\$0.15)
Discontinued operations			\$0.07	\$0.05
	25		(\$0.31)	(\$0.10)

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

Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Note	2014	2013
NET LOSS		(11,089)	(3,711)
Other comprehensive income (loss) to be subsequently reclassified to net loss when certain conditions are met	19		
Translation adjustments:			
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		(2,613)	18,026
Hedge of net investment:			
Change in fair value		1,103	—
Income taxes		(147)	—
Cash flow hedges:			
Change in fair value		(32,680)	7,917
Hedging items realized and recognized in net loss		11,615	8,361
Income taxes		6,462	(4,819)
Cash flow hedges - Joint Ventures:			
Change in fair value		(23,394)	16,319
Hedging items realized and recognized in net loss		4,798	—
Hedging items realized and recognized in statement of financial position		—	2,336
Income taxes		4,819	(4,855)
Available-for-sale financial asset:			
Change in fair value		—	858
Items realized and recognized in net loss		—	(149)
Total other comprehensive income (loss)		(30,037)	43,994
COMPREHENSIVE INCOME (LOSS)		(41,126)	40,283
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex		(39,070)	35,665
Non-controlling shareholders		(2,056)	4,618
COMPREHENSIVE INCOME (LOSS)		(41,126)	40,283
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX			
Continuing operations		(41,722)	33,891
Discontinued operations		2,652	1,774
		(39,070)	35,665

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

Consolidated Statements of Changes in Equity

2014

(in thousands of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock (note 17)	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (note 19)			
BALANCE AS AT JANUARY 1, 2014	223,079	14,379	7,730	140,575	(29,315)	356,448	29,686	386,134
Net earnings (loss)	—	—	—	(11,767)	—	(11,767)	678	(11,089)
Other comprehensive loss	—	—	—	—	(27,303)	(27,303)	(2,734)	(30,037)
COMPREHENSIVE LOSS	—	—	—	(11,767)	(27,303)	(39,070)	(2,056)	(41,126)
Dividends (note 17)	—	—	—	(19,896)	—	(19,896)	(2,050)	(21,946)
Conversion of convertible debentures (note 14)	318	—	—	—	—	318	—	318
Exercise of options (note 17)	4,860	—	—	—	—	4,860	—	4,860
Stock option expense (note 18)	—	—	536	—	—	536	—	536
Excess of proceeds on repurchase of non-controlling shareholders	—	—	—	(5)	—	(5)	(2)	(7)
Contribution of non-controlling shareholders (note 20)	—	—	—	—	—	—	7,550	7,550
BALANCE AS AT DECEMBER 31, 2014	228,257	14,379	8,266	108,907	(56,618)	303,191	33,128	336,319

2013

(in thousands of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock (note 17)	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) (note 19)			
BALANCE AS AT JANUARY 1, 2013	222,870	14,379	6,945	144,492	(68,818)	319,868	22,501	342,369
Net earnings (loss)	—	—	—	(3,838)	—	(3,838)	127	(3,711)
Other comprehensive income	—	—	—	—	39,503	39,503	4,491	43,994
COMPREHENSIVE INCOME (LOSS)	—	—	—	(3,838)	39,503	35,665	4,618	40,283
Conversion of convertible debentures (note 14)	94	—	—	—	—	94	—	94
Exercise of options (note 17)	115	—	—	—	—	115	—	115
Stock option expense (note 18)	—	—	785	—	—	785	—	785
Excess of proceeds on repurchase of non-controlling shareholders	—	—	—	(79)	—	(79)	(26)	(105)
Contribution of non-controlling shareholders (note 20)	—	—	—	—	—	—	2,593	2,593
BALANCE AS AT DECEMBER 31, 2013	223,079	14,379	7,730	140,575	(29,315)	356,448	29,686	386,134

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2014	2013
Net loss		(11,089)	(3,711)
Less: Net earnings from discontinued operations	24	2,652	1,774
Net loss from continuing operations		(13,741)	(5,485)
Financing costs		58,097	50,693
Interest paid		(53,298)	(48,905)
Income tax expense (recovery)		(854)	537
Income taxes paid		(2,940)	(3,372)
Non-cash items in loss:			
Net loss (gain) on financial instruments		8,187	(742)
Share in results of the Joint Ventures	10	(3,426)	2,116
Amortization		60,410	53,888
Impairment of property, plant and equipment	8	—	266
Other		1,246	1,920
Change in non-cash items related to operating activities	26	53,681	50,916
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		51,661	59,266
Business acquisition, net of cash acquired	5	(196,879)	—
Additions to property, plant and equipment		(167,686)	(107,479)
Change in restricted cash		7,277	(18,890)
Increase in interest in Joint Ventures	10	(13,253)	(8,318)
Increase in non-current assets		(1,350)	—
Change in reserve funds		(6,825)	(13,956)
Development projects		(6,881)	(9,666)
Proceeds from the disposal of assets held for sale	5	21,983	—
Other		(491)	(74)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(364,105)	(158,383)
Net increase in non-current debt		589,006	209,739
Repayment of debt assumed on business acquisition	5	(233,314)	—
Repayments on non-current debt		(84,582)	(101,471)
Contribution of non-controlling shareholders	20	5,235	2,593
Distribution to non-controlling shareholders	20	(2,050)	—
Dividends paid to shareholders of Boralex	17	(19,896)	—
Exercise of options	17	4,860	115
Other		(41)	(110)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		259,218	110,866
Cash from discontinued operations	24	3,122	2,054
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		556	4,001
NET CHANGE IN CASH AND CASH EQUIVALENTS		(49,548)	17,804
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		124,942	107,138
CASH AND CASH EQUIVALENTS - END OF YEAR		75,394	124,942

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

Notes to Consolidated Financial Statements

As at December 31, 2014

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Note 1. Incorporation and Nature of Business

Boralex Inc., its subsidiaries and its joint ventures ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. The Corporation has interests in 40 wind power stations, 15 hydroelectric power stations, two thermal power stations and a solar power facility representing an asset base with a total installed capacity of 1,108 megawatts ("MW") of which 938 MW are under its control. Boralex is also committed under power development projects, both independently and with partners, to add 160 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Hydro inc., an entity of which two of the three shareholders, Richard Lemaire and Patrick Lemaire, are directors of the Corporation. The generated power is sold mainly in Canada, France and the United States.

The Corporation is incorporated under the Canada Business Corporations Act. Boralex's head office is located at 36 Lajeunesse St., Kingsey Falls, Québec, Canada and its shares and convertible debentures are listed on the Toronto Stock Exchange ("TSX").

(The data expressed in MW and MWh contained in notes 1, 5, 30, 32 and 33 have not been audited by the auditors.)

Note 2. Basis of Presentation

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the CPA Canada Handbook, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Corporation has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Note 3. Significant Accounting Policies

The significant accounting policies used to prepare these audited consolidated financial statements are as follows:

Measurement Basis

The consolidated financial statements have been prepared on a going concern basis, under the historical cost method, except for financial assets and financial liabilities that are remeasured at fair value through profit or loss.

Basis of Consolidation

The consolidated financial statements include the following accounts of the Corporation:

Subsidiaries

The subsidiaries are entities over which the Corporation exercises control. The Corporation controls an entity when it has power to direct the relevant activities, when it is exposed, or has rights to variable returns, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date the Corporation acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

The Corporation's main subsidiaries as at December 31, 2014 were as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe S.A. ⁽¹⁾	74.67%	Luxembourg
Boralex Énergie Verte S.A.S. ("BEV")	100%	France
Boralex US Energy Inc.	100%	United States
Boralex Ontario Energy Holdings LP	100%	Canada
Boralex Ontario Energy Holdings 2 LP	100%	Canada
Boralex Power Limited Partnership	100%	Canada

⁽¹⁾ On February 27, 2015, the Corporation announced the closing of a financial settlement under which Boralex acquired the entire 25.33% equity interest of Cube Energy SCA ("Cube") in Boralex Europe. See note 33 for more details on this transaction.

Note 3. Significant Accounting Policies (cont'd)

Joint Ventures

A joint venture is a joint arrangement in which the parties are bound by a contractual agreement that gives them joint control over the net assets. The decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties that exercise joint control. The Corporation's interest in the Joint Ventures is accounted for using the equity method. The Corporation's *Share in earnings (loss) of the Joint Ventures* is recorded as a separate line item in the consolidated statement of loss. Unrealized gains and losses on transactions between the Corporation and the joint ventures are eliminated to the extent of the Corporation's interest in the joint ventures.

The Corporation's main joint ventures as at December 31, 2014 were as follows:

Name of Joint Venture	% interest	Location
Seigneurie de Beauré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I")	50 %	Canada
Seigneurie de Beauré Wind Farm 4 General Partnership ("Joint Venture Phase II")	50 %	Canada

Non-controlling Shareholders

The non-controlling shareholders represent the interest held by third parties in subsidiaries. The net assets of the subsidiary attributable to non-controlling shareholders are reported as a component of equity. Their share in net earnings (loss) and comprehensive income (loss) is recognized directly in equity. Any change in the Corporation's interest in a subsidiary that does not result in an acquisition or a loss of control is accounted for as a capital transaction.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed to earnings (loss) as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling shareholders in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately.

Foreign Currency Translation

Functional and Reporting Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Boralex's functional currency.

The financial statements of entities with a different functional currency from that of Boralex (foreign companies) are translated into Canadian dollars as follows: the assets and liabilities are translated at the exchange rate prevailing at the reporting date. Revenues and expenses are translated at the average exchange rate for each period. Translation gains or losses are deferred and included in *Accumulated other comprehensive income (loss)*. When a foreign company is disposed of, translation gains or losses accumulated in *Accumulated other comprehensive income (loss)* are maintained in comprehensive loss until the Corporation's net investment in that country has been entirely sold. Where applicable, exchange differences are recognized under *Foreign exchange loss (gain)* in net loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange differences resulting from transactions are recognized under *Foreign exchange loss (gain)* in net loss except for those relating to qualifying cash flow hedges, which are deferred under *Accumulated other comprehensive income (loss)* in equity.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Corporation classifies its financial assets and liabilities in the following categories:

(a) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Financial instruments classified in this category are reported under current assets or current liabilities. The financial instrument is recorded initially and subsequently at fair value determined using market prices. Directly attributable transaction costs and any changes in fair value are recognized in net loss.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash and cash equivalents*, *Restricted cash*, *Trade and other receivables* and *Reserve funds*. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(c) Available-for-sale Assets

Available-for-sale assets are non-derivative instruments that are either classified in this category or not classified in any of the other categories. They are presented in current financial assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current financial assets. Available-for-sale assets are initially recognized at fair value plus directly attributable transaction costs and are subsequently measured at fair value with unrealized gains and losses recognized under *Accumulated other comprehensive income (loss)*. Upon sale or impairment, fair value adjustments recorded in *Accumulated other comprehensive income (loss)* are recognized in net loss.

(d) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net loss over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables*, *Non-current debt* and *Convertible debentures*.

(e) Compound Financial Instruments

Compound financial instruments issued by the Corporation, namely convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. At the issue date, the fair value of the liability component was measured using the prevailing market interest rate for a similar non-convertible instrument. This amount is recognized as a liability at amortized cost using the effective interest method until conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount, less the tax impact, is accounted for in equity and is not subsequently remeasured.

Hedge Accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designates these derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge).

Note 3. Significant Accounting Policies (cont'd)

The Corporation documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining life of the hedged item is more than 12 months and as a current asset or liability when the remaining life of the hedged item is less than 12 months. Held-for-trading derivative financial instruments are classified as current assets or liabilities.

Cash Flow Hedges

The Corporation designates interest rate financial swaps as cash flow hedges. In a cash flow hedge relationship, the change in value of the effective portion of the derivative is recognized in *Accumulated other comprehensive income (loss)*. The gain or loss relating to the ineffective portion is recognized immediately in net loss under *Net loss (gain) on financial instruments*.

Amounts accumulated in equity are reclassified to net loss in the periods in which the hedged item affects net loss (for example, when a forecasted interest expense that is hedged occurs). The effective portion of the hedging derivative is recognized in the statement of loss under *Financing costs*. The ineffective portion is recognized in the statement of loss under *Net loss (gain) on financial instruments*. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, *Property, plant and equipment*), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts in property, plant and equipment are subject to amortization.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognized when the forecasted transaction affects earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reversed through earnings (loss) under *Net loss (gain) on financial instruments*.

Hedge of a Net Investment in Self-sustaining Foreign Operations

The Corporation designates its foreign exchange forward contracts as hedges of a net investment in self-sustaining foreign operations in foreign currency. In this hedge relationship of a net investment in foreign currency, the change in value of the effective portion of the derivative financial instrument is recognized in *Accumulated other comprehensive income (loss)* and the change in the ineffective portion is recorded in net earnings (loss), under *Net loss (gain) on financial instruments*.

The amounts recognized in *Accumulated other comprehensive income (loss)* are reclassified to net earnings (loss) when the corresponding foreign exchange gains or losses resulting from the translation of self-sustaining foreign operations are recognized in net earnings (loss).

Cash and Cash Equivalents

Cash includes cash on hand and bank balances. Cash equivalents are short-term investments that mature within three months and comprise bankers' acceptances or deposit certificates guaranteed by banks. These instruments include highly liquid instruments that are readily convertible into known amounts of cash and subject to non-significant risk of changes in value.

Restricted Cash

Restricted cash comprises highly liquid investments along with reserves to finance capital expenditures within a one-year period following each year-end.

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business. Inventories mainly consist of replacement parts.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of power stations and power station sites, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period of new power stations or wind power facilities. Amortization begins on the date the assets are commissioned using the following methods:

Wind Power Stations

Wind power stations are amortized by component using the straight-line method over their useful life ranging from 5 to 40 years.

Hydroelectric Power Stations

Hydroelectric power stations are amortized by component using the straight-line method over their useful life ranging from 20 to 40 years.

Thermal Power Stations

Thermal power stations are amortized by component using the straight-line method over their useful life ranging from 20 to 30 years.

Solar Power Station

The solar power station is amortized by component using the straight-line method over its useful life of 20 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology. Impairment losses and reversals are recognized in net earnings (loss) under *Impairment of property, plant and equipment*.

Other Intangible Assets

Energy Sales Contracts

Acquisition costs for energy sales contracts are amortized on a straight-line basis over the remaining contract terms, including one renewal period, if applicable, which range from 15 to 40 years, except for those relating to the Hudson Falls and South Glens Falls hydroelectric power stations in the United States. These costs are amortized using a method based on contract revenues up to contract expiry in 2034 and 2035, respectively. As of January 1, 2015, these power stations will be amortized on a straight-line basis over the remaining term of contracts of 20 and 21 years.

Water Rights

The water rights related to all the hydroelectric power stations except for Buckingham (as this asset has an indefinite useful life) are amortized on a straight-line basis over the remaining contract terms, including one renewal period, which range from 20 to 30 years. Assets with indefinite lives, specifically the water rights at the Buckingham power station, are not amortized but are tested for impairment annually on October 31 or as soon as there is evidence of impairment. Any impairment loss is charged to earnings (loss) in the period in which it arises.

Development projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are included in the cost of the power station or recorded as property, plant and equipment and intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed. If this probability subsequently declines, the costs deferred to that date are expensed.

Goodwill

Goodwill, representing the excess of the consideration paid for businesses acquired over the net amount allocated to assets acquired and liabilities assumed, is not amortized. Goodwill is tested for impairment annually on October 31. Tests are also carried out when events or circumstances indicate a possible impairment. Any impairment loss is charged to earnings (loss) in the period in which it arises.

Other non-current assets

Renewable Energy Tax Credits

Renewable energy tax credits which were attributed on the basis of incurred operating expenses were recorded as a reduction of operating expenses for the period in which the credits were earned to the extent that it is more likely than not that they will be recoverable during their useful lives. This program came to an end on December 31, 2009.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain non-current debt agreements including the maintenance of reserves for debt servicing and to maintain property, plant and equipment. The reserve funds, consisting of deposit certificates, are valued at amortized cost.

Borrowing Costs

The Corporation capitalizes costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Leases

Leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the Corporation. Leases are classified as operating leases when the lease arrangement does not transfer substantially all the risks and rewards of ownership to the Corporation. Payments made under operating leases are charged to the statement of earnings (loss) on a straight-line basis over the lease term.

Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. Such lease obligations, net of financing costs, are included under *Other non-current liabilities*. The interest component of the financing costs is charged to earnings (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is amortized over the shorter of the useful life of the asset and the lease term.

Impairment of Assets

Non-current assets with indefinite useful lives, specifically the goodwill and water rights of the Buckingham power station, as well as intangible assets that are not yet ready for use, are tested for impairment annually on October 31 or if trigger events occur. These assets are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period, for an asset other than goodwill, no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods. Goodwill impairment charges are not reversed.

Impairment testing of assets is conducted at the level of the cash-generating units ("CGUs"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Corporation's assets are monitored separately by site, which corresponds to the CGUs of the smallest identifiable group.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset or the CGU. When determining fair value less costs of disposal, the Corporation considers whether there is a current market price for the asset. Otherwise, the Corporation uses a revenue approach, which is based on the present value of future cash flows generated by an asset or a CGU. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. If the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recorded in the statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received. Provisions are measured using Boralex management's best estimate as to the outcome based on known facts as at the reporting date.

Litigation Provisions

Litigations are monitored regularly, case by case, by the legal department of the Corporation with the assistance of external legal advisors for major and complex litigation. A provision is recognized as soon as it becomes likely that a current obligation resulting from a past event will require a settlement whose amount can be reliably estimated.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset and are amortized over the asset's remaining useful life. The liability is discounted using a risk-free interest rate.

Note 3. Significant Accounting Policies (cont'd)

The Corporation has no obligation to decommission hydroelectric power stations located on public land. Under site leases, these power stations must be handed back to the lessor at the end of the lease term without any decommissioning. For the other hydroelectric power stations located on private properties belonging to Boralex, the likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation.

The Corporation has environmental obligations with respect to its wood-residue thermal power station. If the power station were to be sold, the Corporation would be responsible for removing the piles of wood residue and environmental protection membranes. The Corporation has determined that the wood residue would be burned to produce electricity and that additional cleaning costs would not be material. Accordingly, the fair value of the liability is not material.

Last, the Corporation has an obligation to decommission its solar power site at the end of the lease term. The decommissioning costs are non-significant.

Income Taxes

The Corporation accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is charged to earnings (loss). Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the periods in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are reported under non-current assets and liabilities.

The tax expense includes current and deferred taxes. This expense is recognized in net earnings (loss), except for income tax related to the components of *Accumulated other comprehensive income (loss)* or in equity, in which case the tax expense is recognized in *Accumulated other comprehensive income (loss)* or in equity, respectively.

Current income tax assets or liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period and included under current assets or liabilities. Current tax is computed on the basis of tax profit which differs from net earnings (loss). This calculation is made using tax rates and laws enacted at the end of the reporting period.

The Corporation recognizes a deferred income tax asset or liability for all temporary differences generated by interests in subsidiaries and in the joint ventures, except where it is likely that the temporary difference will not reverse in the foreseeable future and the Corporation is able to control the date of the reversal of the temporary difference.

Equity

Capital stock is presented at the value at which the shares were issued. Costs related to the issuance of stock or stock options are presented in equity, net of taxes, as a deduction from issuance proceeds.

Stock-based Compensation

Stock options granted to senior management are measured at fair value. This fair value is then recognized in net earnings (loss) over the vesting period based on service conditions for senior management with an offsetting increase in *Contributed surplus*. Fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of exchange-traded options that have no restrictions as to vesting and are entirely transferable. Some of the outstanding options carry restrictions but, in the Corporation's opinion, the Black-Scholes model provides an appropriate estimate of fair value in these cases. Any consideration paid by employees on the exercise of stock options is credited to *Capital stock*.

Expenses related to stock options are recorded under *Administrative* and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

Revenue Recognition

The Corporation recognizes its revenue under the following policies:

Revenues from Energy Sales

The Corporation recognizes its revenues, which consist of product sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Other Income

Other income is recognized when the service is provided and collection is considered likely.

Net Earnings (Loss) per Share

Net earnings (loss) per share is determined based on the weighted average number of Class A shares outstanding during the year. The calculation of diluted earnings (loss) per share takes into account the potential impact of the exercise of all dilutive instruments, i.e., stock options and the impact of convertible debentures on the theoretical number of shares. Diluted earnings (loss) per share is calculated using the treasury stock method to determine the dilutive effect of the stock options and the "if converted" method for convertible debentures. For options that have a dilutive effect, i.e., when the average share price for the period is higher than the exercise price of the options, these methods assume that the options have been exercised at the beginning of the period and that the resulting proceeds have been used to buy back common shares of the Corporation at their average price during the period.

Changes in Accounting Policies

IFRIC 21, *Levies*

In May 2013, the IASB issued IFRIC 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. On January 1, 2014, the Corporation adopted this new standard, and this change had no material impact on the Corporation's consolidated financial statements.

IFRS 2, *Share-based Payment*

In December 2013, the IASB amended IFRS 2 to clarify the definition of "vesting conditions" by setting out separate definitions of the terms "performance conditions" and "service conditions." On June 1, 2014, the Corporation early adopted this amended standard, and this change had no impact on the Corporation's consolidated financial statements.

IFRS 3, *Business Combinations*

In December 2013, the IASB amended IFRS 3 to clarify that a contingent consideration in a business combination must be classified as a financial liability or an equity instrument and that a consideration not classified as equity must be subsequently measured at fair value. On June 1, 2014, the Corporation early adopted this amended standard, and this change had no impact on the Corporation's consolidated financial statements.

IFRS 13, *Fair Value Measurement*

In December 2013, the IASB amended IFRS 13 to clarify that an entity is not required to recognize short-term receivables and current debt with no stated interest rate at an amount lower than the stated invoice amount when the impact of discounting is immaterial.

The IASB also amended this standard to clarify that the exception for portfolios applies to all contracts that fall within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, or IFRS 9, *Financial Instruments*, whether or not these contracts meet the definition of a financial asset or liability pursuant to IAS 32, *Financial Instruments: Presentation*.

On June 1, 2014, the Corporation early adopted this amended standard, and this change had no impact on the Corporation's consolidated financial statements.

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income (loss)* instead of in the statement of earnings (loss).

Note 3. Significant Accounting Policies (cont'd)

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures

IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* were revised to incorporate amendments published in September 2014. The amendments require recognizing in full gains and losses on a transaction involving assets that constitute a business between an investor and an associate or a joint venture. The amendments further require recognizing partial gains and losses arising from a transaction involving assets that do not constitute a business between an investor and an associate or a joint venture. The amendments are effective for fiscal years beginning on or after January 1, 2016 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2017 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IAS 16, Property, plant and equipment, and IAS 38, Intangible assets

In May 2014, the IASB amended IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, to provide clarification of the acceptable methods of amortization under those standards. The use of revenue-based amortization is prohibited for property, plant and equipment. However, the use of this method remains acceptable for intangible assets, but is significantly limited. The amended standards must be applied prospectively for fiscal years beginning on or after January 1, 2016, with earlier adoption permitted. The Corporation assessed their impact and will early adopt the standards as of January 1, 2015. Currently, energy sales contracts for the South Glens Falls and Hudson Falls hydroelectric power stations in the United States are amortized using a method based on contract revenues. To comply with the amended standards, the aforementioned contracts will be amortized prospectively on a straight-line basis over their remaining terms, namely 20 and 21 years or until 2034 and 2035, respectively. The annual impact of this change for South Glens Falls is a decrease in amortization expense for the years 2015 to 2024 of \$290,000 (US\$250,000) and an increase in amortization expense from 2025 to 2034 of \$290,000 (US\$250,000). The annual impact of this change for Hudson Falls is a decrease in amortization expense for the years 2015 to 2025 of \$600,000 (US\$520,000) and an increase in amortization expense from 2026 to 2035 of \$660,000 (US\$570,000).

Note 4. Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the recognized amounts of revenues, expenses, comprehensive income (loss), assets and liabilities, and the information reported in the consolidated financial statements.

The following items require management to make the most critical estimates and judgments:

Main Sources of Uncertainty Relating to Management's Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

Every year, on October 31, the Corporation tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and goodwill. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and their goodwill to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on the Corporation's past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital determined for a group of CGUs. The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred Taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning Liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected undiscounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect current market conditions or the time value of money, as well as risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 27 for a more detailed explanation of the bases for the calculations and estimates used.

Note 4. Main Sources of Uncertainty (Cont'd)

Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive income (loss).

Fair Value of Business Combinations

The Corporation makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated by using valuation techniques using several assumptions such as production, earnings and expenses, interest rates and discount rates.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Determining the Development Phase

The Corporation capitalizes project development costs during the period preceding commissioning. Recognition of an intangible asset resulting from the development phase starts when a given project meets IFRS capitalization criteria. This determination requires significant judgment by management. Deciding whether an event or a change in circumstances indicates that a project has reached the development phase depends on various factors, including the technical feasibility of completing the intangible asset, management's intention to complete the intangible asset and its ability to commission the project, how the intangible asset will generate probable future economic benefits, the availability of adequate technical and financial resources to complete the development, and management's ability to reliably measure the expenditures attributable to the project during its development.

Note 5. Business Combinations

Acquisition of Enel Green Power France S.A.S.

On December 18, 2014, Boralex Inc. acquired all of the issued and outstanding shares of Enel Green Power France S.A.S. from Enel Green Power International B.V., a wholly-owned subsidiary of Enel Green Power SpA, for a cash consideration of \$188,948,000 (€132,272,000). The company has been renamed Boralex Énergie Verte S.A.S. ("BEV"). BEV is an independent power producer headquartered in Lyon, France. As a result of the acquisition, Boralex added to its portfolio (i) 12 operational wind farms with an installed capacity of 186 MW, (ii) one wind farm currently under construction with a projected installed capacity of 10 MW, and (iii) a pipeline of additional wind and solar energy projects.

The total cash consideration paid was financed through cash funds, a \$45,000,000 increase to the existing revolving credit facility to \$175,000,000, and a \$100,000,000 bridge credit facility.

This transaction gave rise to acquisition costs of \$5,340,000, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3R, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of December 18, 2014.

The following table shows the preliminary purchase price allocation:

	Preliminary allocation	
	(in thousands of \$)	(in thousands of €)
Cash	2,138	1,497
Trade and other receivables	7,047	4,934
Other current assets	1,426	998
Assets held for sale	21,983	15,389
Property, plant and equipment	310,232	217,177
Energy sales contracts	2,355	1,649
Goodwill	86,053	60,241
Deferred income tax assets	4,474	3,132
Other non-current assets	110	77
Current liabilities	(8,562)	(5,994)
Assumed non-current debt	(233,314)	(163,331)
Other non-current liabilities	(2,856)	(2,000)
Net assets	191,086	133,769
Less:		
Cash at acquisition	2,138	1,497
Total consideration paid for the acquisition	188,948	132,272

Trade and other receivables acquired at the time of the transaction had a fair value of \$7,047,000 (€4,934,000) and the Corporation expects they will all be received during 2015. Goodwill represents the renewal potential of the energy sales contracts for the 12 operational wind farms, the wind farm currently under construction with a projected installed capacity of 10 MW, the potential for completion of the pipeline of projects, and the expected synergies of consolidating these operations within Boralex. Goodwill will not be deductible for tax purposes.

Assets held for sale comprising a 10 MW wind farm were sold to a third party for \$21,983,000 (€15,389,000) on December 23, 2014.

This preliminary purchase price allocation was based on the fair value at the acquisition date and converted using a weighted average rate. The average rate was calculated using the average exchange rate in effect on the date of acquisition and the exchange rate of the financial instrument entered into by the Corporation to hedge €126,000,000 of the acquisition. Following the final purchase price allocation, the *Energy sales contracts*, *Goodwill* and *Deferred income tax assets* items are likely to be adjusted.

Since the acquisition date, the acquired business has contributed \$2,109,000 (€1,483,000) to revenues from energy sales and generated net earnings attributable to shareholders of Boralex of \$78,000 (€55,000). Had the acquisition occurred on January 1, 2014, the equivalent of 12 months of the earnings would have been included in the consolidated results, and management estimates that consolidated revenues from energy sales and net loss attributable to shareholders of Boralex would have amounted to \$239,222,000 and \$12,751,000, respectively, for the fiscal year ended December 31, 2014. These estimates are based on the assumption that the fair market value adjustments that were made on the date of acquisition would have been the same had the acquisition occurred on January 1, 2014.

Calmont Acquisition

On July 30, 2014, Boralex announced the closing of a transaction through which it acquired, through its subsidiary, Boralex Europe S.A., 100% of the shares of an entity owning a 14 MW wind power project under development in France (the "Calmont" wind power project) for a total cash consideration paid of €5,500,000. The payment was made in two instalments, consisting of \$4,840,000 (€3,315,000) in July and \$3,091,000 (€2,185,000) in September 2014. This transaction gave rise to non-significant acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market.

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of July 30, 2014.

The following table shows the preliminary purchase price allocation:

	Preliminary allocation	
	(in thousands of \$)	(in thousands of €)
Current assets	13	9
Property, plant and equipment	517	354
Energy sales contracts	8,004	5,482
Current liabilities	(504)	(345)
Net assets	8,030	5,500

The preliminary purchase price allocation was based on the fair value at the acquisition date and the exchange rate in effect at that date. Following the final purchase price allocation, the *Energy sales contracts* item is likely to be adjusted.

Since the acquisition date, the acquired entity has contributed a nil amount to revenues from energy sales and generated non-significant net earnings attributable to the shareholders of Boralex as the project is under construction and the costs are capitalized.

Note 6. Trade and Other Receivables

	As at December 31, 2014	As at December 31, 2013
Trade receivables - net	32,209	26,026
Receivables from related parties (note 31)	1,328	1,058
Tax receivables	9,057	9,086
Payment receivable for property, plant and equipment (note 11(c))	6,157	—
Other receivables	10,403	5,455
	59,154	41,625

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Corporation has recorded an immaterial provision for the accounts in the above table given the clients' high credit ratings. As at December 31, 2014, approximately 9% of trade and other receivables (4% as at December 31, 2013) were outstanding for more than 90 days since invoice date, while approximately 70% of accounts (88% as at December 31, 2013) were current (under 30 days).

Note 7. Inventories

	As at December 31, 2014	As at December 31, 2013
Replacement parts	4,941	3,721
Wood residue	614	745
Other raw materials	65	36
	5,620	4,502

Inventory costs of \$3,124,000 (\$3,144,000 in 2013) were expensed in 2014 under *Operating* in the statement of loss.

Note 8. Property, Plant and Equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power station	Corporate	Total
Year ended December 31, 2013						
Balance - beginning of year	456,149	183,448	25,836	18,586	5,005	689,024
Translation adjustment	34,389	6,537	265	2,102	(21)	43,272
Additions	77,775	31,373	2,638	—	2,393	114,179
Disposals	(354)	—	(918)	—	—	(1,272)
Amortization	(32,485)	(6,518)	(4,310)	(1,061)	(400)	(44,774)
Impairment	—	—	(266)	—	—	(266)
Other changes	(379)	—	—	—	(571)	(950)
Balance - end of year	535,095	214,840	23,245	19,627	6,406	799,213
As at December 31, 2013						
Cost	693,941	242,143	51,348	22,550	11,196	1,021,178
Accumulated amortization	(158,846)	(27,303)	(28,103)	(2,923)	(4,790)	(221,965)
Net carrying amount	535,095	214,840	23,245	19,627	6,406	799,213
Year ended December 31, 2014						
Balance - beginning of year	535,095	214,840	23,245	19,627	6,406	799,213
Translation adjustment	(20,553)	8,876	(448)	(777)	6	(12,896)
Additions	137,807	13,664	9,198	—	376	161,045
Additions through business combinations (note 5)	310,749	—	—	—	—	310,749
Transfer of assets from development projects	7,571	—	—	—	—	7,571
Disposals	(42)	—	(270)	—	—	(312)
Amortization	(37,963)	(7,656)	(3,367)	(1,134)	(525)	(50,645)
Other changes	686	—	—	—	—	686
Balance - end of year	933,350	229,724	28,358	17,716	6,263	1,215,411
As at December 31, 2014						
Cost	1,124,037	268,620	59,053	21,601	11,533	1,484,844
Accumulated amortization	(190,687)	(38,896)	(30,695)	(3,885)	(5,270)	(269,433)
Net carrying amount	933,350	229,724	28,358	17,716	6,263	1,215,411

Amortization of property, plant and equipment is presented under *Amortization*. Amortization of property, plant and equipment amounted to \$50,645,000 for the year ended December 31, 2014 (\$44,774,000 in 2013) including \$279,000 related to finance leases (\$870,000 in 2013). Cost and accumulated amortization of assets under finance leases totalled \$5,523,000 and \$3,617,000, respectively, as at December 31, 2014 (\$17,738,000 and \$10,800,000 as at December 31, 2013). Assets include replacement parts amounting to \$2,839,000 (\$2,850,000 as at December 31, 2013) and power stations under construction totalling \$76,795,000 (\$72,068,000 as at December 31, 2013). These assets are not amortized until they are commissioned.

An amount of \$9,591,000 relating to additions to property, plant and equipment was still unpaid as at December 31, 2014 (\$16,697,000 in 2013) and included under *Trade and other payables*.

Note 9. Other Intangible Assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangible assets	Total	Goodwill
Year ended December 31, 2013						
Balance - beginning of year	108,411	108,944	31,295	4,465	253,115	48,663
Translation adjustment	5,716	—	2,872	152	8,740	1,027
Additions	—	19	10,536	—	10,555	200
Disposals - Joint Venture Phase II	—	—	(6,382)	—	(6,382)	—
Amortization	(5,827)	(2,965)	—	(322)	(9,114)	—
Other changes	2,906	—	(2,762)	—	144	—
Balance - end of year	111,206	105,998	35,559	4,295	257,058	49,890
As at December 31, 2013						
Cost	140,986	115,871	35,559	6,980	299,396	49,890
Accumulated amortization	(29,780)	(9,873)	—	(2,685)	(42,338)	—
Net carrying amount	111,206	105,998	35,559	4,295	257,058	49,890
Year ended December 31, 2014						
Balance - beginning of year	111,206	105,998	35,559	4,295	257,058	49,890
Translation adjustment	(427)	—	(884)	30	(1,281)	(1,899)
Additions	—	—	5,821	680	6,501	—
Additions through business combinations (note 5)	10,359	—	—	110	10,469	86,053
Transfer of assets to property, plant and equipment	—	—	(7,571)	—	(7,571)	—
Amortization	(6,473)	(2,964)	—	(328)	(9,765)	—
Other changes	13,322	—	(13,975)	(751)	(1,404)	—
Balance - end of year	127,987	103,034	18,950	4,036	254,007	134,044
As at December 31, 2014						
Cost	166,844	115,871	18,950	7,049	308,714	134,044
Accumulated amortization	(38,857)	(12,837)	—	(3,013)	(54,707)	—
Net carrying amount	127,987	103,034	18,950	4,036	254,007	134,044

Amortization of energy sales contracts, water rights and other intangible assets is included under *Amortization*.

The weighted average amortization period of intangible assets with finite useful lives is as follows (in number of years):

Energy sales contracts	17 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which represent an amount of \$38,214,000 (\$38,214,000 in 2013), are not amortized given their indefinite useful life.

Development projects consist primarily of wind and hydroelectric power projects in Québec, Ontario, British Columbia and France.

Other intangible assets comprise mostly CO₂ quotas held by the Blendecques natural gas power station in France and integrated management software.

For annual impairment testing purposes, *Goodwill* was allocated to three groups of CGUs, namely (i) the seven hydroelectric power stations, (ii) the St-Patrick, Vron, Fortel-Bonnières wind farms and the St-François project, and (iii) the 12 operational wind farms and the development project acquired in the December 18, 2014 business combination, based on their respective values as at December 31, 2014 of \$38,063,000, \$9,379,000 (€6,681,000) and \$84,567,000 (€60,241,000).

The goodwill and water rights of the Buckingham power station were tested for impairment on October 31, 2014. Currently, according to analyses, their carrying amounts are supported by the recoverable amounts determined using cash flow projections. A discount rate between 5% and 6% as well as a growth rate of 2% were used in this impairment test.

Note 10. Interests in the Joint Ventures

Joint Ventures Phases I and II

The Corporation entered into partnership agreements with a subsidiary of Gaz Métro L.P. and Valener Inc. and created Seigneurie de Beaupré 2 and 3 Wind Farms General Partnership ("Joint Venture Phase I") and Seigneurie de Beaupré 4 Wind Farm General Partnership ("Joint Venture Phase II") located in Canada, of which each party owns 50%. Under these agreements, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the joint ventures are shared jointly but not severally. The Corporation's interest in these joint ventures is accounted for using the equity method. The year-end date of these joint ventures is December 31. The Phase II wind farm was commissioned on December 1, 2014.

Joint Venture in Denmark

In July 2014, Boralex entered into a joint venture agreement with a Danish developer to develop an offshore wind farm in Denmark. Boralex invested €1,818,000 (\$2,656,000) to acquire a 50% share in the joint venture and to finance development activities.

Interests in the Joint Ventures

	2014				2013		
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Total
Balance - beginning of period	75,442	15,438	—	90,880	58,994	—	58,994
Cash contribution	3,416	7,181	2,656	13,253	—	8,318	8,318
Capital contribution	—	—	—	—	—	6,382	6,382
Share in net earnings (loss)	6,147	(45)	(3)	6,099	(1,412)	(12)	(1,424)
Share in other comprehensive income (loss)	(17,718)	(794)	(84)	(18,596)	17,860	795	18,655
Other	—	(153)	—	(153)	—	(45)	(45)
Balance - end of period	67,287	21,627	2,569	91,483	75,442	15,438	90,880

Financial Statements of Joint Ventures Phases I and II (100%)

	As at December 31, 2014			As at December 31, 2013		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	21,534	1,367	22,901	552	4,646	5,198
Restricted cash	970	13,741	14,711	35,279	46,241	81,520
Other current assets	8,571	16,514	25,085	61,306	960	62,266
Non-current financial assets	—	—	—	1,947	—	1,947
Non-current assets	676,785	182,050	858,835	707,082	61,969	769,051
TOTAL ASSETS	707,860	213,672	921,532	806,166	113,816	919,982
Current portion of debt	23,156	16,280	39,436	76,951	—	76,951
Other current liabilities	9,197	5,646	14,843	42,861	4,370	47,231
Non-current debt	456,914	135,430	592,344	482,248	70,890	553,138
Non-current financial liabilities	33,504	—	33,504	—	—	—
Other non-current liabilities	50,516	12,652	63,168	53,224	7,589	60,813
TOTAL LIABILITIES	573,287	170,008	743,295	655,284	82,849	738,133
NET ASSETS	134,573	43,664	178,237	150,882	30,967	181,849

Note 10. Interests in the Joint Ventures (cont'd)

	2014			2013		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Revenues from energy sales	90,612	1,597	92,209	4,743	—	4,743
Operating	12,443	169	12,612	755	—	755
Administrative	144	64	208	265	63	328
Development	—	15	15	—	—	—
Amortization	34,988	746	35,734	3,217	—	3,217
Other gains	(2,569)	(51)	(2,620)	(215)	—	(215)
OPERATING INCOME (LOSS)	45,606	654	46,260	721	(63)	658
Financing costs (Interest income)	33,310	727	34,037	2,982	(28)	2,954
Foreign exchange loss	2	8	10	173	2	175
Net loss (gain) on financial instruments	—	10	10	390	(13)	377
NET INCOME (LOSS)	12,294	(91)	12,203	(2,824)	(24)	(2,848)
Accumulated other comprehensive income (loss)	(35,435)	(1,588)	(37,023)	35,719	1,590	37,309
COMPREHENSIVE INCOME (LOSS)	(23,141)	(1,679)	(24,820)	32,895	1,566	34,461

Share in Earnings (Losses) of the Joint Ventures

The following table reconciles the total share in results of the Joint Ventures as reported in the consolidated statements of loss of Boralex:

	2014				2013		
	Phase I	Phase II	Danemark	Total	Phase I	Phase II	Total
Share in results	6,147	(45)	(3)	6,099	(1,412)	(12)	(1,424)
Other ⁽¹⁾	(2,664)	(9)	—	(2,673)	(692)	—	(692)
Share in earnings (losses) of the Joint Ventures	3,483	(54)	(3)	3,426	(2,104)	(12)	(2,116)

⁽¹⁾ Other represents the amortization of Boralex's unrealized gains (losses) on financial swaps - interest rates designated for Phases I and II wind power projects. These unrealized gains (losses), which had been accumulated in *Accumulated other comprehensive income (loss)* upon termination of the hedging relationships, are accounted for in net loss over the life of the Joint Venture's debt financing.

Share in Comprehensive Income (Loss) of the Joint Ventures

The following table reconciles the change in fair value of financial instruments of the Joint Ventures as reported in the consolidated statements of comprehensive income (loss) of Boralex:

	2014				2013		
	Phase I	Phase II	Danemark	Total	Phase I	Phase II	Total
Share in comprehensive income (loss)	(17,718)	(794)	(84)	(18,596)	17,860	795	18,655

Boralex's Share of the Commitments of Joint Ventures Phases I and II

	2014			
	Payments			Total
	Current portion	1 to 5 years	Over 5 years	
Service Contracts	617	2,591	12,805	16,013
Maintenance contracts	2,734	20,995	1,466	25,195
Land lease contracts	957	3,972	16,072	21,001
Total	4,308	27,558	30,343	62,209

Energy Sales Contracts

The Joint Ventures are committed to selling 100% of their power output (subject to certain minimum criteria) under 20-year contracts maturing in 2033 and 2034. Contract prices are partially indexed annually based on the Consumer Price Index ("CPI").

Service Contracts

Under the terms of service contracts entered into with Joint Ventures Phases I and II, Boralex will be the operator of the wind farms and will be responsible for their operation, maintenance and administration. The 21-year term contracts expire in 2033 and 2034. The amounts payable under those agreements are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI.

Maintenance Contracts

The Joint Ventures entered into 15-year wind turbine maintenance contracts maturing in 2028 and 2029. These contracts include a cancellation option at the Joint Venture's discretion after seven years.

Land Lease Contracts

The Joint Ventures have land lease contracts maturing in 2033 and 2034, renewable each year at the lessee's option. The land on which the wind turbines are installed is leased for an annual amount of approximately \$1,890,000, indexed annually at a rate of 1.5%.

Financing

Joint Venture Phase I

Joint Venture Phase I financing, secured by the project's assets without recourse against the partners, consists in non-current debt, a bridge financing facility and letter of credit facilities. Non-current debt, at a variable rate based on CDOR plus a margin, is repayable in semi-annual instalments over a period of 18 years maturing in 2031. As of July 28, 2014, the Corporation met all conditions required for the conversion of construction loans into non-current debt. As stipulated in the loan agreement, the \$560,000,000 initial debt amount was recalculated on the basis of current financial data and assumptions, and the authorized amount was reduced to \$535,000,000, resulting in a payment of \$8,655,000 of the tranche not hedged by project cash flows. A \$260,000,000 tranche of the debt is hedged by a guarantee pledged in favour of the lenders by the Federal Republic of Germany through its export credit agency, Euler-Hermes. In August, Boralex was reimbursed by Hydro-Québec for the costs incurred by the Corporation in the construction of the transformer substation and collector system. The amount received was used to repay, on August 20, 2014 the \$51,639,000 bridge financing facility entered into to finance these costs during the construction period.

As at December 31, 2014, the gross amount of non-current debt stood at \$511,511,000 and letters of credit amounting to \$46,253,000 had been issued.

Joint Venture Phase I entered into swap transactions with interest rates ranging from 3.18% to 3.22% to set the financing rate for a significant portion of the project over the expected term of the underlying financing. As at December 31, 2014, the swaps had a notional balance of \$482,306,000 (\$551,732,000 in 2013) and an unfavourable fair value of \$33,504,000 (favourable fair value of \$1,947,000 in 2013).

Non-current debt contains certain restrictive covenants typical for this type of financing and, as at December 31, 2014, the Joint Venture was in compliance with all these commitments.

Joint Venture Phase II

Joint Venture Phase II financing, fully secured by all the project's assets without recourse against the partners, consists in short-term bridge financing facility of \$12,901,000, a letter of credit facility totalling \$10,773,000 and a \$142,445,000 construction loan which will convert into a term loan repayable in quarterly instalments over a period of 19.5 years at a fixed rate of interest of 5.66% over the term of the loan. As at December 31, 2014, amounts of \$12,901,000 and \$142,445,000 were drawn from the short-term bridge financing facility and the construction loan, respectively, and letters of credits amounting to \$2,833,000 were issued.

Contingency

On October 24, 2013, a motion for authorization to institute a class action and to obtain representative status was filed with the Superior Court of Québec against the Joint Ventures. The applicants of the motion are requesting authorization from the Court to institute a class action on behalf of a group of persons regarding allegations of, without limitation, neighbourhood disturbances (noise, dust, etc.) experienced as a result of the construction of Seigneurie de Beaupré Wind Farms Phases I and II. The motion for authorization to institute a class action and to obtain representative status was heard before the Court on September 17, 2014 and the judge has taken the matter under advisement.

Note 11. Other Non-current Assets

	Note	As at December 31, 2014	As at December 31, 2013
Reserve funds	a)	29,987	22,850
Renewable energy tax credits	b)	7,609	8,705
Payment receivable for property, plant and equipment	c)	6,956	40
Investments	d)	1,576	422
Borrowing cost, net of accumulated amortization		1,071	—
Other		246	—
		47,445	32,017

- (a) *Reserve funds* consist primarily of reserves for servicing non-current debt. The reserves guarantee financing arrangements in France, the United States and Canada and are sufficient to service the debt for three to nine months, depending on the project. Those reserves amounted to \$26,169,000 (€9,659,000, US\$7,414,000 and \$4,008,000) as at December 31, 2014 and \$19,170,000 (€5,156,000, US\$7,160,000 and \$3,999,000) as at December 31, 2013. A reserve to finance maintenance of property, plant and equipment amounted to \$3,369,000 (US\$2,816,000 and \$102,000) as at December 31, 2014 and \$3,317,000 (US\$3,072,000 and \$50,000) as at December 31, 2013.
- (b) *Renewal energy tax credits* represent the balance of tax credits earned by the Corporation in the United States and will be used to reduce the Corporation's future tax burden in that country. Financial projections indicate that the amount recorded may be realized by the expiration date, that is, from 2025 to 2029.
- (c) The *Payment receivable for property, plant and equipment* consisted of a due from Hydro-Québec for repayment of the transformer substation and collector system for certain projects under development.
- (d) *Investments* consisted primarily of a 27% interest in CelluFuel Inc.

Note 12. Trade and Other Payables

	As at December 31, 2014	As at December 31, 2013
Trade payables	10,039	12,804
Related party payables (note 31)	220	2,872
Accrued liabilities	23,242	17,544
Other payables	24,115	24,772
	57,616	57,992

Note 13. Non-current Debt

					As at December 31, 2014	As at December 31, 2013
	Note	Maturity	Rate ⁽¹⁾	Currency of origin	C\$	C\$
Term loan payable – Ocean Falls power station	a)	2024	6.55		8,848	9,514
Term loan payable – Thames River wind farms	b)	2031	7.05		160,094	166,974
Term loan payable – Témiscouata I wind farm	c)	2032	3.46		49,639	—
Term loan payable – Témiscouata II wind farm	d)	2033	3.42		10,533	—
Term loan payable – Jamie Creek power station	e)	2054	5.42		55,250	55,250
Revolving credit facility	f)	2018	—		110,561	—
Bridge facility	g)	2015	—		100,000	—
Canadian senior secured note, repaid		—	—		—	35,450
Other debt		—	—		6,776	3,623
CANADA					501,701	270,811
Finance leases (France)	h)	2015	5.74	323	453	2,088
Term loan payable – Nibas wind farm	i)	2016	5.00	2,054	2,883	4,406
Master agreement – wind farms (France)	j)	2017-2025	4.69	101,732	142,811	164,788
Term loan payable – St-Patrick wind farm	k)	2025	4.94	31,185	43,778	49,500
Term loan payable – Lauragais solar power station	l)	2025-2028	4.00	10,760	15,105	16,961
Term loan payable – La Vallée wind farm	m)	2028	4.42	32,203	45,207	48,673
Term loan payable – Fortel-Bonnières and St-François wind farms	n)	2028-2029	3.55	55,455	77,848	—
Term loan payable – Vron wind farm	o)	2030	3.34	10,820	15,189	19,130
Term loan payable – Boralex Énergie Verte wind farms	p)	2030	2.33	170,000	238,646	—
Other debt		—	—	4,270	5,989	1,604
FRANCE				418,802	587,909	307,150
U.S. senior secured note	q)	2026	3.51	80,367	93,234	95,724
UNITED STATES				80,367	93,234	95,724
			3.94		1,182,844	673,685
Current portion of debt					(172,044)	(84,034)
Borrowing cost, net of accumulated amortization					(21,713)	(10,737)
					989,087	578,914

⁽¹⁾ Weighted average rates adjusted to reflect the impact of interest rate swaps, where applicable.

- (a) This loan payable, secured by all of the **Ocean Falls** power station's assets, bears interest at a fixed rate of 6.55% with monthly payments of principal and interest.
- (b) This loan payable, secured by all of the **Thames River** wind farms' assets in Ontario, bears interest at a fixed rate of 7.05% with quarterly payments of principal and interest. In addition, this financing arrangement has a credit facility for issuing letters of credit renewable on March 15, 2016, at the lenders' discretion. Any amounts drawn bear interest at the Canadian bankers' acceptance rate ("BA") plus 2%. If the facility is undrawn, Boralex pays a standby fee of 2%.
- (c) On June 26, 2014, the Corporation announced the closing of long-term financing for the **Témiscouata I** wind farm. The loan, secured by the wind farm's assets, consists of a \$51,997,000 construction loan that will convert into a repayable term loan amortized over an 18-year period following a defined period subsequent to commissioning that took place in December 2014. Approximately 90% of the total debt will bear interest at a fixed rate of 5.41% upon conversion of the construction loan into a term loan payable. From the construction phase up until the conversion date, the construction loan bears interest at a variable rate based on CDOR plus a margin of slightly over 2%. The credit facilities also include amounts available for the issuance of the required letters of credit, as well as a bridge financing facility to finance certain costs that are repayable by Hydro-Québec, totalling \$12,066,000.
- (d) On June 26, 2014, the Corporation also announced the closing of long-term financing for the **Témiscouata II** wind farm. The loan, secured by the wind farm's assets, consists of a \$127,031,000 construction loan that will convert into a repayable term loan amortized over an 18-year period following commercial commissioning planned for December 2015. Approximately 90% of the total debt will bear interest at a fixed rate of 5.72% upon conversion of the construction loan into a term loan payable. During the construction phase, up until the conversion date, the construction loan bears interest at a variable rate based on CDOR plus a margin of slightly over 2%. The credit facilities also include amounts available for the issuance of the required letters of credit, as well as a bridge financing facility to finance certain costs that are repayable by Hydro-Québec, totalling \$15,633,000.
- (e) The loan is secured by all of the assets of the **Jamie Creek**, Ontario hydroelectric power station. The loan enjoys a grace period of over nine years for principal payments and will be fully amortized thereafter, in semi-annual payments, over a 31-year period. The interest rate on the financing is fixed at 5.42% over the loan term.

Note 13. Non-current Debt (cont'd)

- (f) On December 18, 2014, Boralex increased its revolving credit facility by \$45,000,000 to a \$175,000,000 limit with an initial four-year term renewable annually thereafter. For drawdowns in U.S. dollars, the interest rate is based on LIBOR or the U.S. prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers' acceptance rates or prime rate plus their respective margins. This facility is secured by the assets of Boralex Inc., its power stations in Québec and its investments in its U.S. operations. As at December 31, 2014, \$110,561,000 in cash had been drawn down under this credit facility and a total of \$27,679,000 was drawn down to issue letters of credit. The authorized amount could be increased by \$50,000,000 under certain conditions.
- (g) To finance a portion of the BEV purchase price, the Corporation entered into a \$100,000,000 bridge facility on December 18, 2014, which was repaid on January 12, 2015 using the proceeds from the sale of Class A common shares of Boralex. Boralex issued 8,430,000 shares at a price of \$13.05 per share for gross proceeds of \$110,011,000. The variable interest rate for the \$100,000,000 facility was based on the prime rate plus 2.25% margin.
- (h) Finance leases consist of finance leases on assets located in France. As at December 31, 2014 and 2013, the finance leases had balances of €323,000 (\$453,000) and €1,425,000 (\$2,088,000), respectively. The finance lease obligations bear interest at a fixed rate and are repayable on a quarterly basis. As at December 31, 2014 and 2013, the associated property, plant and equipment had a net carrying amount of €1,358,000 (\$1,906,000) and €4,734,000 (\$6,938,000), respectively.
- (i) This loan payable, secured by all of the **Nibas** wind farm's assets, bears interest at a fixed rate of 5.00% with quarterly payments of principal and interest.
- (j) The master agreement comprises financing for several wind farms in France. The agreement provides for a senior credit facility (the "Senior Facility") and a junior credit facility (the "Junior Facility"), both of which are secured by all project assets. However, the Junior Facility is subordinated to the Senior Facility. The Senior Facility and Junior Facility bear interest at variable rates based on EURIBOR, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations. Payments of principal and interest are made semi-annually over a 15-year period for the Senior Facility and a 10-year period for the Junior Facility, as of each project's commercial commissioning date. As at December 31, 2014 and 2013, the Senior Facility balance stood at €95,643,000 (\$134,263,000) and €105,187,000 (\$154,152,000), with a Junior Facility balance of €6,089,000 (\$8,548,000) and €7,258,000 (\$10,636,000), respectively. As at December 31, 2014, letters of credit amounting to €9,994,000 (\$14,030,000) were issued to cover the various reserves required under the master agreement.
- (k) This loan payable, secured by the **St-Patrick**, France wind farm's assets, calls for semi-annual payments of principal and interest. The variable interest rate for this financing is based on EURIBOR, plus a margin. The margin amounts to 2.25% for the next year, then 2.50% for the five subsequent years and, lastly, 3.00%. The Corporation has entered into interest rate financial swaps to reduce its exposure to rate fluctuations. Under these swaps, a fixed rate is provided for approximately 75% of total debt. At present, the variable interest rate is 2.47%, while the fixed rate is approximately 5.83%. The portion of debt hedged by the interest rate financial swaps will gradually fall from 74% to 68% from the third to the seventh year. Then, it will gradually decline over the five remaining years.
- (l) This loan payable, secured by the **Lauragais**, France solar power station's assets, consists of €3,000,000 (\$4,211,000) amortized over 15 years and €10,000,000 (\$14,038,000) amortized over 18 years. Payments of principal and interest are made semi-annually. The interest rate for the €3,000,000 (\$4,211,000) facility is variable and based on EURIBOR, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations. The interest rate for the €10,000,000 (\$14,038,000) facility is fixed at 2.05% plus a margin, over a 10-year period through 2020. The rate will then be revised to a fixed rate for the remaining loan term. The Corporation also uses an interest rate swap to reduce its exposure to the change in the future rate for years 11 to 18 and covers 80% of the debt during that period.
- (m) This loan payable, secured by the **La Vallée**, France wind farm's assets, consists of €27,000,000 (\$37,903,000) amortized over 15 years and €6,400,000 (\$8,984,000) amortized over 15 years. The Corporation makes quarterly payments of principal and interest. The variable interest rate for this financing is based on EURIBOR, plus a margin of 2.6%. To reduce its exposure to rate fluctuations, the Corporation has entered into interest rate financial swaps consisting of a first swap with a notional amount of €27,000,000 (\$37,903,000) at a rate of 1.86% over 15 years, and a second swap with a notional amount of €6,400,000 (\$8,984,000) at a rate of 1.64% over 15 years. The swaps fix the combined average rate including the margins at 4.47% over 15 years for 100% of the total debt.
- (n) On April 22, 2014, the Corporation announced the closing of long-term financing for the **Fortel-Bonnières** and **St-François** wind farms in France. This loan payable, secured by the assets of these wind farms, consists of €48,980,000 (\$69,758,000) over 14 years, €12,239,000 (\$17,181,000) over 15 years and €4,000,000 (\$5,615,000) drawn down under a revolving VAT financing facility. The Corporation will make quarterly payments of principal and interest. The initial quarterly payment will be made on March 31, 2015. The interest rate for the €48,980,000 facility is fixed at 3.65% for a 10-year term through 2024, and will then be revised as of the 11th year. The interest rate for the €12,239,000 facility is variable and based on EURIBOR, plus a margin; however, the Corporation used interest rate swaps to reduce its exposure to rate fluctuations on 100% of this facility, over its full term.

Note 13. Non-current Debt (cont'd)

- (o) The loan payable, secured by the **Vron**, France wind power station's assets, consists of a tranche of €1,550,000 (\$2,176,000), a tranche of €9,640,000 (\$13,533,000) and an undrawn reserve fund for dismantling of €360,000 (\$505,000), for financing totalling €14,150,000 (\$19,864,000). The loan is fully amortized over a 15-year period with quarterly payments. The variable interest rate for the €1,550,000 (\$2,176,000) financing facility is based on EURIBOR, plus a margin. The interest rate for the €9,640,000 (\$13,533,000) facility is fixed for a 10-year period through 2023. The rate will then be revised to a fixed rate for the remaining loan term. The Corporation used interest rate swaps to reduce its exposure to rate fluctuations for years 1 to 15, thereby hedging 100% of debt during that period. The swaps that were implemented fix the combined average rate including the margin adjustments at 3.47% over 15 years.
- (p) On December 18, 2014, the Corporation also announced the closing of long-term financing for the acquisition of **Boralex Énergie Verte**. The €180,000,000 (\$252,684,000) non-recourse loan, amortized over a 15-year period, consists of three tranches. The first tranche, amounting to €60,000,000 (\$84,228,000), bears interest at a variable rate based on EURIBOR, plus a 1.50% margin for the next five years, 1.75% for the following five years, and 2.00% for the final five years. The second tranche, amounting to €10,000,000 (\$14,038,000), bears interest at a variable rate based on EURIBOR, plus a 1.50% margin for the next five years, 1.75% for the following five years, and 2.00% for the final five years. Lastly, the third tranche, amounting to €110,000,000 (\$154,418,000), bears interest at a fixed rate of 2.23%. However, this rate will increase every five years by 25 basis points. In addition, the loan will be increased by €25,000,000 (\$35,095,000) once certain conditions have been met within the 12 months following the acquisition's closing date. To reduce its exposure to interest rate movements, the Corporation has entered into interest rate financial swaps to hedge 100% of the €60,000,000 debt and a portion of the €25,000,000 tranche.
- (q) The U.S. note, secured by all of the **South Glens Falls** and **Hudson Falls** hydroelectric power stations' assets, is subject to a number of covenants, including the maintenance of certain financial ratios. The loan agreement requires the Corporation to maintain two reserve accounts at all times. The first account, amounting to at least US\$3,072,000 (\$3,564,000), serves to fund capital expenditures. The second account is a debt servicing reserve, the minimum amount of which has been set at six months of payments of capital and interest on the debt, representing US\$7,159,000 (\$8,305,000). As at December 31, 2014, deposits in trust totalled US\$10,231,000 (\$11,869,000). The loan bears interest at a fixed rate of 3.51% and will be fully amortized by semi-annual payments over a 13-year period through 2026.

The U.S. senior secured note and the term loans for the Ocean Falls and Jamie Creek hydroelectric power stations and the Boralex Énergie Verte and Thames River wind farms may be repaid early subject to the payment of a premium. Under current market conditions, this would result in a significant premium.

Financial Ratios and Guarantees

The debt agreements include certain restrictions governing the use of cash resources of the Corporation's subsidiaries. As well, certain financial ratios, such as debt service ratios, must be met on a quarterly, semi-annual or annual basis.

Substantially all of the Boralex's borrowings include requirements to establish and maintain reserve accounts or accounts for issuing letters of credit for current debt servicing, equipment maintenance or income taxes at various times over the terms of the agreements. As at December 31, 2014 and 2013, the amounts maintained in reserve fund accounts for that purpose stood at \$26,906,000 and \$22,850,000, respectively (see note 11).

As at December 31, 2014, Boralex and its subsidiaries met all of their financial ratios.

Minimum Future Payments

Estimated aggregate non-current debt payments as at December 31, 2014 are detailed as follows:

Current portion	172,044
1 to 5 years	396,846
Over 5 years	614,326

Note 14. Convertible Debentures

In 2010, the Corporation closed its bought deal financing of extendible convertible unsecured subordinated debentures with a syndicate of underwriters. The debentures issued in 2010 had a total value of \$245,150,000, of which \$19,537,000 (before taxes) was allocated to the equity component.

Using acceptable pricing models and the 8.50% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the debt and equity components of the debentures were separately recognized based on their respective fair values. The debt component, representing the value allocated to the liability at inception, is accounted for as a non-current liability. To accrete the debt to its face value, the Corporation records additional interest expense in the debt component through to maturity, which is a seven-year period.

The debentures mature on June 30, 2017. The convertible debentures bear interest at an annual rate of 6.75% payable semi-annually, in arrears, on June 30 and December 31 each year. In accordance with the trust indenture, each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the final maturity date and the business day immediately preceding the date fixed for redemption of the debentures at the initial conversion price of \$12.50 per common share, subject to adjustments. The trust indenture provides that the conversion rate must be reduced by the current yield of the declared dividend. The debenture conversion price is currently \$12.02 per common share. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their debentures, to, but not including, the date of conversion.

The value of convertible debentures was determined as follows:

	2014	2013
Balance - beginning of year	229,578	226,299
Conversion of debentures	(318)	(94)
Amortization of convertible debenture issuance costs	757	643
Imputed interest on convertible debentures of 8.50 %	2,960	2,730
Balance - end of year	232,977	229,578

As at December 31, 2014 and 2013, Boralex had respectively 2,443,367 and 2,446,545 issued and outstanding convertible debentures with a nominal value of \$100 each.

Note 15. Income Taxes

The impact of income tax expense (recovery) is as follows:

	2014	2013
Current taxes	4,249	4,137
Deferred taxes	(5,103)	(3,600)
	(854)	537

The reconciliation of income tax expense (recovery) on loss from continuing operations, calculated using the statutory income tax rates prevailing in Canada, with the income tax expense (recovery) reported in the financial statements is as follows:

	2014	2013
Pre-tax net loss from continuing operations	(14,595)	(4,948)
Combined basic Canadian and provincial income tax rate	26.59%	26.59%
Income tax recovery at the statutory rate	(3,881)	(1,316)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	499	(148)
Difference in foreign operations' statutory income tax rates	1,932	1,752
Change in unrecognized deferred tax asset and tax rates	343	(545)
Remeasurement of current and deferred tax assets and liabilities	(62)	83
Foreign income taxes payable on dividends and other items	315	711
Effective income tax expense (recovery)	(854)	537

	2014	2013
Deferred income tax asset	13,141	—
Deferred income tax liability	(30,780)	(37,493)
	(17,639)	(37,493)

The changes in deferred taxes by nature are as follows:

	As at January 1, 2014	Recorded in comprehensive income (loss)	Recorded in net loss	Business acquisition	As at December 31, 2014
Deferred income tax asset related to loss carryforward	75,983	—	553	32,602	109,138
Financial instruments	9,057	6,315	(676)	—	14,696
Provisions	2,469	—	2,675	110	5,254
Interests in the Joint Ventures	496	4,819	(1,612)	—	3,703
Temporary differences between accounting and tax amortization	(121,651)	—	4,777	(28,315)	(145,189)
Translation adjustments	(1,708)	(780)	1,705	—	(783)
Financing and other costs	(2,139)	—	(2,319)	—	(4,458)
Total deferred income tax liabilities	(37,493)	10,354	5,103	4,397	(17,639)

	As at January 1, 2013	Recorded in comprehensive income (loss)	Recorded in net loss	Business acquisition	As at December 31, 2013
Deferred income tax asset related to loss carryforward	82,828	—	(6,845)	—	75,983
Financial instruments	8,113	(4,819)	5,763	—	9,057
Provisions	1,847	—	622	—	2,469
Interests in the Joint Ventures	4,831	(4,855)	520	—	496
Temporary differences between accounting and tax amortization	(125,258)	—	3,807	(200)	(121,651)
Translation adjustments	(36)	(1,705)	33	—	(1,708)
Financing and other costs	(1,839)	—	(300)	—	(2,139)
Total deferred income tax liabilities	(29,514)	(11,379)	3,600	(200)	(37,493)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of \$1,736,000 (\$1,583,000 in 2013) was not imputed against the \$13,000,000 capital loss carryforwards, as no unrealized capital gain is expected.

Note 16. Decommissioning Liability

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. The Corporation has considered the duration of the leases and of the energy sales contracts, as well as their renewal periods, if applicable, ranging from 31 to 81 years, to calculate the decommissioning liability. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation. No disbursements are expected before 2043. As at December 31, 2014 cash flows were discounted using risk-free interest rates related to each wind power station, ranging from 2.67% to 7.05% to determine the non-current decommissioning liability.

The following table shows the changes in the liability during fiscal 2014:

	2014	2013
Balance - beginning of year	7,198	5,765
Translation adjustment	(267)	533
Liability assumed as part of the business acquisition	2,546	—
New obligations	790	719
Accretion expense included in financing costs	506	181
Balance - end of year	10,773	7,198

Note 17. Capital Stock, Contributed Surplus and Dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares, none of which had been issued as at December 31, 2014. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the directors prior to issuance.

The Corporation's contributed surplus is equal to the cumulative value of unexercised stock options granted to senior management.

The following changes occurred in the Corporation's capital stock and contributed surplus between December 31, 2013 and 2014:

	Note	Capital stock		Contributed surplus
		Number of shares	Amount	Amount
Balance as at January 1, 2013		37,734,895	222,870	6,945
Issuance of share on debenture conversions	a)	7,536	94	—
Fair value of options recorded during the year	b)	—	—	785
Options exercised	b)	25,424	115	—
Balance as at December 31, 2013		37,767,855	223,079	7,730
Issuance of share on debenture conversions	a)	26,118	318	—
Fair value of options recorded during the year	b)	—	—	536
Options exercised	b)	630,457	4,860	—
Balance as at December 31, 2014		38,424,430	228,257	8,266

- (a) Each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time under the terms and conditions described in note 14. Some debenture holders availed themselves of this option and converted 3,178 debentures with a value of \$318,000 into 26,118 shares (942 debentures with a value of \$94,000 into 7,536 shares in 2013).
- (b) The Corporation has a stock option plan as disclosed in note 18. During fiscal year 2014, 630,457 stock options held by current and past senior executives were exercised and a total amount of \$4,860,000 was paid to the Corporation (25,424 stock options exercised totalling \$115,000 in 2013).

Dividends

On February 19, 2014, the Corporation announced and declared its first ever dividend, namely a quarterly dividend of \$0.13 per Class A common share. Boralex, at the sole discretion of the Board of Directors, expects to pay common share dividends on an annual basis that will represent in the medium term a ratio of 40% to 60% of its discretionary cash flows (defined as its cash flows from operations less capital investments required to maintain its production capacity less project-related non-current debt payments). On March 17, June 15, September 16 and December 15, 2014, the Corporation paid dividends totalling \$19,896,000. On February 9, 2015, an additional dividend of \$0.13 per common share was declared and will be paid out on March 16, 2015.

Note 18. Stock-based Compensation

The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 3,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted and the options granted before May 2012 cannot be exercised if the market value of the share is lower than its carrying amount on the grant date. All the options have a ten-year term. This plan has been determined to be settled using equity securities.

The stock options are as follows for the years ended December 31:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	2,085,272	9.08	1,978,023	8.94
Granted	112,056	12.90	132,673	10.29
Exercised	(630,457)	7.71	(25,424)	4.53
Outstanding - end of year	1,566,871	9.91	2,085,272	9.08
Options exercisable - end of year	1,169,343	9.87	1,593,275	9.16

The following options were outstanding as at December 31, 2014:

Granted in	Options outstanding		Options exercisable		
	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2005	6,274	6.60	6,274	6.60	2015
2006	69,037	9.47	69,037	9.47	2016
2007	140,445	13.30	140,445	13.30	2017
2008	130,050	17.29	130,050	17.29	2018
2009	293,627	7.14	293,627	7.14	2019
2010	204,451	9.20	204,451	9.20	2020
2011	226,062	8.50	168,793	8.50	2021
2012	253,733	7.96	125,037	7.96	2022
2013	131,136	10.29	31,629	10.29	2023
2014	112,056	12.90	—	—	2024
	1,566,871	9.91	1,169,343	9.87	

The fair value of each option granted was determined using the Black-Scholes model. The assumptions used to calculate the fair values of options are detailed below:

	2014	2013
Share price on grant date	12.97	10.32
Exercise price	12.90	10.29
Expected annual dividend	5.58%	—
Term	10 years	10 years
Expected volatility	21.59%	26.11%
Risk-free interest rate	2.83%	2.33%
Weighted average fair value per option	2.17	4.14

Determining the volatility assumption is based on a historic volatility analysis over a period equal to the options' lifetime.

The Corporation applies the fair value method of accounting for options granted to officers and employees. These amounts are recorded under *Administrative* and *Contributed surplus*. A \$536,000 compensation expense in respect of the stock option plans was recognized for fiscal 2014 (\$785,000 in 2013).

Note 19. Accumulated Other Comprehensive Loss

					2014
	Translation adjustments	Hedges net investment	Cash flow hedges		Total
			Hedges interest rates	Hedges interest rates - Joint Ventures	
Balance - beginning of year	3,621	—	(33,853)	917	(29,315)
Change in fair value	(1,812)	1,103	(30,747)	(23,394)	(54,850)
Reclassification to net loss	—	—	11,615	4,798	16,413
Income taxes	—	(147)	6,462	4,819	11,134
Balance - end of year	1,809	956	(46,523)	(12,860)	(56,618)

					2013
	Translation adjustments	Hedges interest rates	Cash flow hedges		Total
			Hedges interest rates - Joint Ventures	Available-for-sale financial asset	
Balance - beginning of year	(11,228)	(43,998)	(12,883)	(709)	(68,818)
Change in fair value	14,849	6,603	16,319	858	38,629
Reclassification to net loss	—	8,361	—	(149)	8,212
Reclassification to statement of financial position	—	—	2,336	—	2,336
Income taxes	—	(4,819)	(4,855)	—	(9,674)
Balance - end of year	3,621	(33,853)	917	—	(29,315)

Note 20. Non-controlling Shareholders

Côte-de-Beaupré Wind Power Project

In 2014, our partner Côte-de-Beaupré RCM, which holds a 49% interest in the wind power project currently under development in Québec, made a cash contribution of \$1,479,000 (\$470,000 in 2013).

Témiscouata I Wind Power Project

In 2014, our partner Témiscouata RCM, which holds a 49% interest in the wind power project currently under development in Québec, made a cash contribution of \$3,756,000 (\$2,123,000 in 2013).

Boralex Europe S.A.

In 2014, our European partner, which holds a 25.33% interest in the European operations of our Boralex Europe S.A. subsidiary converted an advance received in 2013 amounting to \$2,315,000 (€1,520,000) into an interest in our European operations. In December 2014, Boralex Europe S.A. paid a dividend to our partner totalling \$2,050,000 (€1,451,000).

Assets, liabilities, revenues, net earnings, comprehensive income (loss) and cash flows pertaining to subsidiary Boralex Europe S.A. (100%) are detailed as follows:

	As at December 31, 2014	As at December 31, 2013
Current assets	39,084	44,853
Non-current assets	472,597	457,104
TOTAL ASSETS	511,681	501,957
Current liabilities	67,074	65,855
Non-current liabilities	356,515	331,666
TOTAL LIABILITIES	423,589	397,521
NET ASSETS	88,092	104,436
	2014	2013
Revenues	88,666	73,935
NET EARNINGS	2,482	109
COMPREHENSIVE INCOME (LOSS)	(8,204)	17,782
Net cash flows related to operating activities	47,445	31,130
Net cash flows related to investing activities	(74,620)	(73,931)
Net cash flows related to financing activities	29,905	42,895
Translation adjustments on cash and cash equivalents	(2,138)	1,840
NET CHANGE IN CASH AND CASH EQUIVALENTS	592	1,934
CASH AND CASH EQUIVALENTS - END OF YEAR	16,583	15,991

On February 27, 2015, the Corporation announced the closing of a financial settlement whereby Cube agreed to exchange its entire 25.33% equity interest in Boralex Europe for two notes payable (see note 33).

Note 21. Expenses by Nature

Operating and Administrative

	2014	2013
Raw material and consumables	17,518	16,832
Maintenance and repairs	15,708	12,933
Employee benefits	18,818	16,420
Rental expenses, taxes and permits	14,021	11,997
Other operating expenses	5,825	3,082
Professional fees	2,459	3,103
Other administrative expenses	3,426	3,204
	77,775	67,571

Employee Benefits

	2014	2013
Current salaries and benefits	16,667	14,315
Other post-employment benefits	1,615	1,320
Share-based benefits	536	785
	18,818	16,420

Note 22. Other Gains

	Note	2014	2013
Gains related to the contract with French partner Cube		(1,116)	—
Gain on sale of shares of Resolute Forest Products		—	(135)
Other	a)	(846)	(97)
Other gains		(1,962)	(232)

(a) *Other* consists primarily of tax credits received for various projects.

Note 23. Financing Costs

	Note	2014	2013
Interest on non-current debt, net of the impact of interest rate swaps	a)	35,848	32,393
Interest on convertible debentures		19,466	19,249
Interest and other interest income		(906)	(2,973)
Amortization of borrowing costs (note 13)		3,036	2,349
Accretion expense (note 16)		506	181
Other interest and banking fees	c)	3,156	989
		61,106	52,188
Interest capitalized to qualifying assets	b)	(3,009)	(1,495)
		58,097	50,693

(a) Interest expense on finance leases was \$75,000 for fiscal 2014 (\$129,000 in 2013).

(b) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 3.24% per annum (4.65% per annum in 2013).

(c) *Other interest and banking fees* consist of financing costs on short-term borrowings, such as the \$100,000,000 bridge facility, which was repaid in January 2015, and the revolving credit facility which was increased in December 2014.

Note 24. Discontinued Operations

On December 20, 2011, the Corporation closed the sale of its U.S. wood-residue thermal power stations; under the agreement, the purchaser is required to pay Boralex 50% of REC sales proceeds exceeding a set price threshold for 2012, 2013 and 2014.

	2014	2013
Revenues from energy sales - RECs	4,201	2,765
Pre-tax operating income from discontinued operations	4,201	2,765
Income tax expense	1,549	991
Net earnings from discontinued operations	2,652	1,774

Cash flows related to discontinued operations are reported separately in the statement of cash flows but their nature is related to operating activities.

Note 25. Net Loss per Share

Net Loss per Share (Basic and Diluted)

(in thousands of dollars, except per share amounts and number of shares)	2014	2013
Net loss attributable to shareholders of Boralex	(11,767)	(3,838)
Less:		
Net earnings from discontinued operations	2,652	1,774
Net loss (basic and diluted) from continuing operations attributable to shareholders of Boralex	(14,419)	(5,612)
Weighted average number of shares (basic and diluted)	38,283,988	37,745,345
Net loss per share (basic and diluted) from continuing operations attributable to shareholders of Boralex	(\$0.38)	(\$0.15)
Net earnings per share (basic and diluted) from discontinued operations	\$0.07	\$0.05
Net loss per share (basic and diluted) attributable to shareholders of Boralex	(\$0.31)	(\$0.10)

The table below shows the items that could dilute basic net earnings (loss) per common share in the future, but that were not reflected in the calculation of diluted net loss per common share due to their anti-dilutive effect:

	2014	2013
Convertible debentures excluded due to their anti-dilutive effect	20,327,494	19,576,790
Stock options excluded due to their anti-dilutive effect	1,566,871	2,085,272

Note 26. Change in Non-cash Items Related to Operating Activities

	2014	2013
Decrease (increase) in:		
Trade and other receivables	(1,898)	13,647
Inventories	—	128
Prepaid expenses	(1,861)	(577)
Increase (decrease) in:		
Trade and other payables	1,739	(4,848)
	(2,020)	8,350

Note 27. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	1,161,131	1,234,873	662,948	674,442
Convertible debentures (including equity portion)	247,356	272,264	243,957	261,169

The fair value of the derivative financial instruments designated as cash flow hedges is as follows:

	As at December 31, 2014	As at December 31, 2013
OTHER CURRENT FINANCIAL ASSETS		
Foreign exchange forward contracts	1,213	—
OTHER NON-CURRENT FINANCIAL ASSETS		
Financial swaps - interest rates	—	289
Foreign exchange forward contracts	3,230	—
OTHER CURRENT FINANCIAL LIABILITIES		
Financial swaps - interest rates	34,116	15,243
OTHER NON-CURRENT FINANCIAL LIABILITIES		
Financial swaps - interest rates	31,254	19,704
Foreign exchange forward contracts	2,368	—
	33,622	19,704

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, reserve funds, and trade and other payables approximate their carrying amounts due to their short-term maturities.

The fair value of non-current debt is essentially based on the calculation of discounted cash flows. Discount rates, ranging from 1.80% and 4.95%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange and their fair values are based on the prices as at December 31, 2014.

Financial Swaps - Interest Rates

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under interest rate swaps as at December 31, 2014:

As at December 31, 2014	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in C\$)	Fair value (in C\$)
Financial swaps - interest rates	EUR	0.93%–5.16%	6-month Euribor	2015-2030	343,723	(31,254)
Financial swaps - interest rates	CAD	5.40%–5.78%	3-month CDOR	2033-2035	142,514	(34,116)

Financial swaps - interest rates denominated in Canadian dollars contain an early termination clause that is mandatory in 2015. As a result, they are presented as current financial liabilities.

Foreign Exchange Forward Contracts

The fair values of foreign exchange forward contracts are determined using a generally accepted technique, namely the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the value determined using the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the statement of financial position date. Discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, Boralex considers offsetting agreements, if any.

As at December 31, 2014	Exchange rate	Maturity	Current notional (in C\$)	Fair value (in C\$)
Foreign exchange forward contracts (€ for C\$)	1.4397-1.5475	2015-2025	195,128	2,075

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in the financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

The Corporation classified the convertible debentures as Level 1, as their fair values are determined using quoted market prices.

For non-current debt and financial swaps - interest rates, the Corporation classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields and interest rates.

The following table classifies the Corporation's financial instruments by level in the fair value hierarchy:

	Fair value hierarchy levels			
	As at December 31, 2014	Level 1	Level 2	Level 3
FINANCIAL ASSETS				
Foreign exchange forward contracts	4,443	—	4,443	—
OTHER LIABILITIES				
Non-current debt	1,234,873	—	1,234,873	—
Convertible debentures	272,264	272,264	—	—
	1,507,137	272,264	1,234,873	—
FINANCIAL LIABILITIES				
Financial swaps - interest rates	65,370	—	65,370	—
Foreign exchange forward contracts	2,368	—	2,368	—
	67,738	—	67,738	—

	Fair value hierarchy levels			
	As at December 31, 2013	Level 1	Level 2	Level 3
FINANCIAL ASSETS				
Financial swaps - interest rates	289	—	289	—
OTHER LIABILITIES				
Non-current debt	674,442	—	674,442	—
Convertible debentures	261,169	261,169	—	—
	935,611	261,169	674,442	—
FINANCIAL LIABILITIES				
Financial swaps - interest rates	34,947	—	34,947	—

Note 28. Financial Risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Foreign Exchange Risk

The Corporation generates foreign currency liquidity through the operation of its power stations in France and the United States. First, the Corporation reduces its risk exposure to a minimum, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises from the residual liquidity that can be distributed to the parent company. Given those conditions and in light of the major acquisition of BEV carried out in December 2014, Boralex entered into a series of foreign exchange forward contracts for a portion of approximately 75% of the euros it expects to translate into dollars through January 2025. In addition, the Corporation has fixed the exchange rate on a €15,100,000 receivable on the asset held for sale of a 10 MW wind farm and on the additional €25,000,000 amount to be issued on project debt once the conditions precedent have been met.

Management considers that the cash flows generated in the United States do not represent a significant risk at present. A hedging strategy could be developed in future in due course.

In connection with Canadian project development, certain future expenditures may be in foreign currencies. Where applicable, the Corporation's objective is to protect its anticipated return on its invested equity by entering into hedging instruments to eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

On December 31, 2014, a \$0.05 rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a \$577,000 (\$480,000 in 2013) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2014, whereas *Accumulated other comprehensive loss* would have increased or decreased by an after-tax amount of \$6,728,000 (\$7,880,000 in 2013), respectively.

Price Risk

As at December 31, 2014, our power stations in France and Canada, as well as those in Hudson Falls and South Glens Falls, have long-term power sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Approximately 2% of the Corporation's power production is sold at market prices or under short-term contracts in the Northeastern United States and is accordingly subject to fluctuations in energy prices. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

On December 31, 2014, a 5% rise or fall in the price of energy, assuming that all other variables had remained the same, would have resulted in a \$204,000 (\$205,000 in 2013) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2014, whereas *Accumulated other comprehensive loss* would have remained unchanged (nil in 2013).

Interest Rate Risk

Europe

In Europe, the vast majority of non-current debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on 74%-100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on EURIBOR and pays fixed amounts at rates ranging from 0.93% to 5.16%. Since the credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

Canada

As at December 31, 2013, the Corporation held financial swaps - interest rates for the Témiscouata I and II wind power projects and Côte-de-Beaupré wind farm. All of the swaps were designated as hedges of variable interest rates under the anticipated financing programs. On the closing date of the Témiscouata I and II financing in June 2014, the Corporation ceased those designations with a notional amount of \$127,000,000. For the hedging activities of those two projects, an unrealized loss of \$6,473,000 in *Accumulated other comprehensive loss* will be recognized in net loss over the life of the projects' financing.

Since on that date, the Corporation expected to submit wind power project bids in connection with a 450 MW call for proposals in Québec and, as a result, to complete the financing of those projects, it redesignated the above-mentioned swaps as a hedge of those future projects. In December 2014, the Corporation was advised that its projects were not among the winning bids. Accordingly, all of the changes in the fair value of the instruments designated as hedges of future interest rates have been recognized in the loss under *Net loss (gain) on financial instruments* in an amount of \$7,238,000. As at December 31, 2014, management intends to redesignate those swaps to various projects under development.

Note 28. Financial Risks (cont'd)

The Côte-de-Beaupré wind farm that the Corporation intends to build, finance and commission in 2015 is a source of interest rate risk exposure. As at December 31, 2014, the Corporation held a financial swap - interest rates that was designed as a hedge of variable interest cash flows associated with the anticipated financing programs with a notional amount of \$22,000,000.

Total

These instruments have allowed the Corporation to reduce the percentage of variable rate debt from 41% to 9%. As at December 31, 2014 and 2013, the nominal balance of these swaps stood at \$486,237,000 (€244,852,000 and \$142,514,000) and \$403,134,000 (€173,065,000 and \$149,508,000), respectively, while their unfavourable fair value was \$65,370,000 (€22,264,000 and \$34,116,000) and \$34,658,000 (€13,248,000 and \$15,243,000), respectively. These swaps mature from 2015 to 2035 and are all subject to cash flow hedge accounting. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Accumulated other comprehensive loss* until the corresponding hedged item is recognized in earnings (loss). They are then recognized in earnings (loss) as an adjustment to *Financing costs*. Over the next 12 months, the Corporation expects to reclassify a pre-tax expense of approximately \$7,200,000 (\$7,050,000 in 2013) from *Accumulated other comprehensive loss* to earnings (loss).

On December 31, 2014, a 5% rise or fall in the variable interest rates, assuming that all other variables had remained the same, would have resulted in a \$88,000 (\$22,000 in 2013) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2014, whereas *Accumulated other comprehensive loss* would have increased or decreased by an after-tax amount of \$5,423,000 (\$4,416,000 in 2013), respectively.

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number. However, they generally have high credit ratings. The electricity markets that the Corporation serves in Canada and France are limited to monopolies. Steam generated in France is used in the papermaking process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial condition of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses return unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity Risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2014 and 2013 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2014	Carrying amount	Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	57,616	57,616	—	—	—	57,616
Non-current debt	1,161,131	214,147	123,652	452,605	865,215	1,655,619
Convertible debentures	247,356	16,493	24,739	—	—	41,232
Derivative financial instruments:						
Financial swaps - interest rates	65,370	7,199	7,851	25,340	36,776	77,166
Foreign exchange forward contracts	2,368	—	—	—	3,517	3,517
	1,531,473	295,455	156,242	477,945	905,508	1,835,150

Note 28. Financial Risks (cont'd)

As at December 31, 2013	Carrying amount	Undiscounted cash flows (principal and interest)				
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	57,992	57,992	—	—	—	57,992
Non-current debt	662,948	119,951	77,624	220,433	577,290	995,298
Convertible debentures	243,957	16,514	16,514	24,772	—	57,800
Derivative financial instruments:						
Financial swaps - interest rates	34,947	8,746	8,491	17,624	4,760	39,621
	999,844	203,203	102,629	262,829	582,050	1,150,711

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments and a conversion of convertible debentures in 2017. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 29. Capital Management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Ensure continuous access to capital markets; and
- Diversify the project risks in its portfolio through project-specific financing arrangements without recourse to the other assets of the parent company to maximize its financial leverage in light of the significant capital requirements for project completion in the energy sector.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis that will represent in the medium term a ratio of 40% to 60% of its discretionary cash flows (defined as its cash flows from operations less capital investments required to maintain its production capacity less project-related non-current debt payments).

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments.

More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2014 and 2013, the Corporation was in compliance with its minimum ratio commitments. The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

Note 29. Capital Management (cont'd)

For calculation purposes, net debt is defined as follows:

	As at December 31, 2014	As at December 31, 2013
Non-current debt	989,087	578,914
Current portion of debt	172,044	84,034
Borrowing costs, net of accumulated amortization	21,713	10,737
Less:		
Bridge facility*	100,000	—
Cash and cash equivalents	75,394	124,942
Restricted cash	12,459	19,366
Net debt	994,991	529,377

* The bridge facility was excluded from net debt since it constitutes temporary financing.

The Corporation defines total book capitalization as follows:

	As at December 31, 2014	As at December 31, 2013
Total equity	336,319	386,134
Bridge facility	100,000	—
Net debt	994,991	529,377
Convertible debentures	232,977	229,578
Convertible debenture issuance costs, net of accumulated amortization	2,765	3,522
Deferred taxes on convertible debentures	5,158	5,158
Imputed interest calculated on convertible debentures	(10,942)	(7,982)
Total book capitalization	1,661,268	1,145,787

Based on these definitions, the Corporation's performance relative to its capital management objectives was as follows:

	As at December 31, 2014	As at December 31, 2013
Net debt	994,991	529,377
Total book capitalization	1,661,268	1,145,787
Net debt to capitalization ratio	59.9%	46.2%
Net debt ratio, excluding non-current debt drawn for projects under development*	58.9%	44.4%

* In light of significant growth over the past few fiscal years through the addition of long-term contracted installed capacity and fixed-rate debt, the portion of non-current debt drawn for projects under development was excluded.

At present, the Corporation has a net debt to capitalization ratio of 59.9% and a long-term goal of keeping a ratio of approximately 40%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as the Corporation adds several projects, the debt level tends to increase and subsequently readjust toward the long-term goal. Analysis of those ratios must take into account changes in items such as *Accumulated other comprehensive income (loss)*, which are affected by the notional amount of the interest rate swaps, which declines each year.

Furthermore, the Corporation would tolerate a ratio of up to approximately 60% were significant projects to warrant it, but would strive to reduce said ratio within a 24-month period. Despite the fact that the ratio exceeds the long-term target, in light of the aforementioned specific events and items, the Corporation's management is not concerned about this excess.

Note 30. Commitments and Contingency

In addition to the commitments of the Joint Ventures (discussed in note 10), the Corporation entered into the following transactions:

Energy Sales Contracts - Power Stations in Operation

Canada

For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing from 2015 to 2054. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the Québec hydroelectric power stations (except for the Forces Motrices St-François power station, which is indexed at an annual fixed rate), the indexation rate should not be lower than 3% or higher than 6%.

France

For the wind power stations, thermal power station and solar power facility in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing from 2017 to 2031. The contracts provide for annual indexation based on changes in hourly labour costs and industry activity levels.

United States

In the United States, under a long-term contract expiring in 2029, the Corporation is committed to selling 100% of the power output of its Middle Falls hydroelectric power station. A price equal to 90% of the market price is stipulated in the contract.

For the South Glens Falls and Hudson Falls hydroelectric power stations in the United States, the Corporation is committed to sell the electricity it generates under long-term contracts expiring in 2034 and 2035. These contracts provide for contract payment rates for most of the electricity it generates. The price structure is as follows:

	South Glens Falls US\$/MWh	Hudson Falls US\$/MWh
2015 - 2017	84.94 - 86.65	82.85- 80.58
2018 - 2024	86.65	48.27
2025	121.79 or market*	48.27
2026 and thereafter	121.79 or market*	56.28 or market*

* The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

Energy Sales Contracts - Projects Under Development

Canada

The Corporation has entered into 20-year energy sales contracts for the Côte-de-Beaupré and Témiscouata II wind farms projects. Those contracts will begin when the wind farms are commissioned and will be indexed annually.

France

The Corporation has entered into 15-year energy sales contracts for the St-François, Calmont and Comes de l'Arce wind farms projects. These contracts will begin when the wind farms are commissioned and the selling price will be indexed annually.

Construction Contracts - Power Stations in Operation

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Construction contracts	1,085	—	—	1,085

Canada

- For the Buckingham hydroelectric power station, the Corporation has entered into a contract for repair work at the facility to comply with the Dam Safety Act.
- The Corporation has entered into contracts for civil engineering works on the Témiscouata I wind farms site and the Jamie Creek hydroelectric power station.

Purchase and Construction Contracts - Projects Under Development

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Purchase and construction contracts	179,287	—	—	179,287

Canada

- (a) The Corporation has entered into a wind turbine purchase and installation contract, an engineering and electrical study contract and a contract for the construction of the transformer substation and control building for the Témiscouata II wind power project.
- (b) The Corporation has entered into a wind turbine purchase and installation contract, and a contract for the construction of roads and foundations, and electrical work for the Côte-de-Beaupré wind power project.

France

- (a) The Corporation has entered into a wind turbine purchase and installation contract for the St-François wind power project.
- (b) The Corporation has entered into contracts for the purchase and installation of wind turbines and construction of the connection grid for the Calmont and Comes de l'Arce wind power projects.

Maintenance Contracts

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Maintenance contracts	17,634	36,841	23,478	77,953

Canada

- (a) The Corporation has entered into 12-year wind turbine maintenance contracts expiring in 2022 for the Thames River wind farms. Those contracts include a cancellation option at the Corporation's discretion after five years.
- (b) The Corporation has entered into a 15-year wind turbine maintenance contract expiring in 2029 for the Témiscouata I wind farm. The contract includes a cancellation option at the Corporation's discretion after five years.
- (c) The Corporation has entered into 15-year wind turbine maintenance contracts expiring in 2030 for the Témiscouata II wind power project. Those contracts include a cancellation option at the Corporation's discretion after seven years.

France

- (a) The Corporation has entered into wind turbine maintenance contracts for its power stations in operation in France. The contracts have initial terms of two to 15 years.
- (b) The Corporation has entered into 5-year wind turbine maintenance contracts expiring in 2020 for the St-François and Comes de l'Arce wind power projects.

Operating Leases on Property

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Land lease contracts	3,064	17,539	33,851	54,454

Canada

- (a) For the Thames River wind farms, the Corporation leases land on which wind turbines are installed under 20-year lease agreements, renewable once only at the Corporation's option under the same lease terms.
- (b) The Corporation leases the sites on which the six Canadian hydroelectric power stations are located, as well as the water rights over the hydraulic power required to operate them. Under the terms of these agreements, expiring from 2015 to 2020, the Corporation's lease payments are based on power generation levels.

France

The land on which the French wind power stations and the solar power facility are located is leased under emphyteutic leases over terms ranging from 11 to 99 years. Payments under these leases are due annually and are indexed each year, based on the CPI and the Construction Cost Index published by the National Institute of Statistics and Economic Studies.

United States

- (a) For its Middle Falls power station, the Corporation leases the land on which the power station is located from the Niagara Mohawk Power Corporation ("NMPC") under a lease expiring in 2029. As of 2014, lease payments are variable, totalling 30% of the power station's gross revenue.
- (b) The land on which the Corporation's U.S. South Glens Falls and Hudson Falls hydroelectric facilities are located is leased from NMPC. The leases expire at the same time as the energy sales contracts, namely in 2034 and 2035, respectively. Rental expense for non-contingent lease payments is recognized in earnings (loss) on a straight-line basis based on the average rental payment over the lease terms. Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent lease payments for years 26 through 40, inclusively, of the lease agreement given the uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair value or US\$10,000,000 (Hudson Falls power station) and US\$5,000,000 (South Glens Falls power station).

Contingency

Canada

Since January 2011, O'Leary Funds Management LP et al. has been suing the Corporation in the Superior Court of Québec. The suit alleges that the November 1, 2010 business combination between Boralex and the Fund was illegal and, accordingly, demands payment of damages amounting to nearly \$6,700,000 (the initial suit was for an amount of nearly \$14,400,000). The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. In its defence, the Corporation has filed a counterclaim for over \$1,400,000.

Other

Canada

Hydroelectric power stations in Québec are subject to the *Dam Safety Act*. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. With regards to the Buckingham power station, the Corporation expects that investments of more than \$8,000,000 will be required in 2015 to comply with the Act. Concurrently with this work, management is still reviewing various investment scenarios aiming to increase the power station's current installed capacity by up to 10 MW.

Note 31. Related Party Transactions

Related parties include the Corporation's subsidiaries, Joint Ventures and main senior executives. Details of related party transactions are as follows:

	2014	2013
OTHER REVENUES		
Fiducie RSP Hydro - Entity of which two of the three shareholders, Richard Lemaire and Patrick Lemaire, are directors of the Corporation	509	565
Joint Ventures Phases I and II	604	390
COSTS AND OTHER EXPENSES		
Operating		
Cascades Inc. - Entity having significant influence over the Corporation	640	1,071
Chargeback of salaries		
Joint Ventures Phases I and II	821	1,157
Capitalized expenses		
Cascades Inc. - Entity having significant influence over the Corporation	—	10
Interest income		
Fiducie RSP Hydro - Entity of which two of the three shareholders, Richard Lemaire and Patrick Lemaire, are directors of the Corporation	(18)	(30)

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Receivables and payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2014	As at December 31, 2013
RELATED PARTY RECEIVABLES		
European partner	524	—
Cascades Inc. - Entity having significant influence over the Corporation	186	239
Fiducie RSP Hydro - Entity of which two of the three shareholders, Richard Lemaire and Patrick Lemaire, are directors of the Corporation	—	413
Joint Ventures Phases I and II	618	406
	1,328	1,058
RELATED PARTY PAYABLES		
Cascades Inc. - Entity having significant influence over the Corporation	148	643
Joint Venture Phase II	72	—
European partner	—	2,229
	220	2,872

Related party receivables and payables are due between 30 and 45 days following the sale or purchase. Receivables are unsecured and bear interest when past due. No allowance for doubtful accounts has been recognized in respect of receivables. Cascades receivables are related to charged back costs.

Executive Compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

	2014	2013
Current salaries and benefits	1,764	1,697
Other long-term benefits	1,798	1,005
Stock-based compensation	204	469
	3,766	3,171

Note 32. Segmented Information

The Corporation's power stations are grouped into four distinct operating segments — wind, hydroelectric, thermal and solar power. The Corporation operates under one identifiable industry sector: power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The same accounting rules are used for segmented information as for the consolidated accounts.

The operating segments are presented according to the same criteria used to prepare the internal report submitted to the segment leader who allocates resources and assesses operating segment performance. The President and Chief Executive Officer is considered the segment leader, who assesses segment performance based on power production, revenues from energy sales and EBITDA.

EBITDA does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

EBITDA is reconciled to the most comparable IFRS measure, namely, net loss, in the following table:

	2014	2013
Net loss	(11,089)	(3,711)
Net earnings from discontinued operations	(2,652)	(1,774)
Income tax expense (recovery)	(854)	537
Net loss (gain) on financial instruments	8,187	(742)
Foreign exchange loss (gain)	406	(788)
Financing costs	58,097	50,693
Impairment of property, plant and equipment	—	266
Other gains	(1,962)	(232)
Amortization	60,410	53,888
EBITDA	110,543	98,137

Information on Principal Clients

Revenue is allocated according to the client's country of domicile. In 2014 and 2013, the Corporation had four clients accounting for more than 10% of its revenues.

The tables below show the respective percentage of consolidated revenues from each client, as well as the segments in which they operate:

2014		2013	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
39	Wind, thermal and solar	37	Wind, thermal and solar
16	Wind	19	Wind
16	Wind, hydroelectric and thermal	17	Hydroelectric and thermal
13	Hydroelectric	16	Hydroelectric

Information by Operating Segment

	2014	2013	2014	2013
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	785,997	682,136	102,063	85,109
Hydroelectric power stations	641,979	621,094	58,166	53,756
Thermal power stations	169,637	143,369	30,090	27,446
Solar power station	6,259	5,945	3,082	2,712
	1,603,872	1,452,544	193,401	169,023
	EBITDA		Additions to property, plant and equipment	
Wind power stations	86,511	66,594	139,785	71,169
Hydroelectric power stations	42,715	40,413	17,796	30,894
Thermal power stations	5,247	3,010	9,417	2,018
Solar power station	2,634	2,379	—	527
Corporate and eliminations	(26,564)	(14,259)	688	2,871
	110,543	98,137	167,686	107,479
			As at December 31, 2014	As at December 31, 2013
Total assets				
Wind power stations			1,326,133	783,729
Hydroelectric power stations			458,540	472,045
Thermal power stations			40,332	45,685
Solar power station			20,139	21,433
Corporate			72,815	99,835
			1,917,959	1,422,727
Total liabilities				
Wind power stations			896,996	531,269
Hydroelectric power stations			183,782	224,801
Thermal power stations			14,466	12,066
Solar power station			16,175	17,332
Corporate			470,221	251,125
			1,581,640	1,036,593

Information by Geographic Segment

	2014	2013	2014	2013
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	636,929	571,062	70,768	63,568
France	586,573	493,540	90,672	73,854
United States	380,370	387,942	31,961	31,601
	1,603,872	1,452,544	193,401	169,023
	EBITDA		Additions to property, plant and equipment	
Canada	33,741	33,554	101,249	38,534
France	52,962	40,719	64,257	68,735
United States	23,840	23,864	2,180	210
	110,543	98,137	167,686	107,479
			As at December 31, 2014	As at December 31, 2013
Total assets				
Canada			778,165	716,118
France			952,148	501,884
United States			187,646	204,725
			1,917,959	1,422,727
Non-current assets, excluding <i>Interests in the Joint Ventures and Deferred income tax asset</i>				
Canada			622,064	523,993
France			866,986	457,104
United States			165,087	157,370
			1,654,137	1,138,467
Total liabilities				
Canada			765,528	538,310
France			677,994	377,765
United States			138,118	120,518
			1,581,640	1,036,593

Note 33. Subsequent Events

Acquisition of the Frampton Wind Power Project and Signing of a Construction Contract

On January 12, 2015, Boralex announced the acquisition of an interest in the Frampton community wind power project with a 24 MW capacity for a total of \$11,500,000 in cash. Boralex has a 66.7% interest and the Municipality of Frampton a 33.3% interest in the project, which is covered by a 20-year energy sales contract with Hydro-Québec. Construction on the project will begin in the first quarter of 2015 with commissioning anticipated within the next 12 months.

In February 2015, the Corporation entered into an engineering, roadway and collector system construction contract for the Frampton wind power project for a total amount of \$9,003,000. Payments under the contract are made on a percentage of completion basis.

Closing of an Offering via an Underwriting Agreement and Exercise of an Option

On January 12, 2015, Boralex announced the closing of the offering via an underwriting agreement of Class A common shares of Boralex for gross proceeds of approximately \$110,011,500. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 8,430,000 common shares of the Corporation at a price of \$13.05 per share. The common shares were offered under a simplified prospectus dated January 5, 2015 in all Canadian provinces. The offering proceeds were used to fully repay the \$100,000,000 bridge facility.

On January 30, 2015, Boralex announced the exercise of 85% of the over-allotment option under the aforementioned public offering. The syndicate of underwriters purchased 1,075,000 shares at a price of \$13.05 per share for gross proceeds to Boralex of \$14,000,000, bringing the aggregate gross offering proceeds to \$124,000,000.

Purchase, Construction and Maintenance Contracts - Calmont Wind Power Project

In January 2015, the Corporation entered into a wind turbine construction and installation contract, a road construction contract and a maintenance contract for the Calmont wind power project for a total amount of \$19,537,000 (€13,917,000). Payments under the contracts are made on a percentage of completion basis.

Maintenance Contract - Côte-de-Beaupré Wind Power Project

In January 2015, the Corporation entered into a 15-year wind turbine maintenance contract expiring in 2030 for the Côte-de-Beaupré wind power project. The contract includes a cancellation option at the Corporation's discretion after five years. The Corporation's net commitment under this contract amounts to \$2,943,000, taking into account only the first five years of the contract.

Boralex acquires 100% of Boralex Europe

On February 27, 2015, the Corporation announced the closing of a financial settlement (the "Settlement") whereby Cube agreed to exchange its entire 25.33% equity interest in Boralex Europe for two notes payable. Under the Settlement, in consideration for the Corporation acquiring 100% control of Boralex Europe, Cube will receive a preferential payment of €16,000,000, bearing interest at 5%-6.5%, payable by the end of 2015, and two notes payable totalling €40,000,000 issued by two European subsidiaries of the Corporation and bearing interest at a fixed rate of 6.5%, with no repayments prior to maturity in January 2019.