

CAPITAL POWER CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts in millions of Canadian dollars, except share and per share amounts)

2. Significant accounting policies, continued:

(w) Future accounting changes, continued:

IAS 1 – Presentation of Financial Statements – In June 2011, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which will require entities to group items within other comprehensive income on the basis of whether or not they will be reclassified to income or loss in a future period. The implications of adopting the amendments to IAS 1 will be limited to the Company's presentation within its statement of other comprehensive income. The amendments are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Earlier application is permitted.

IFRS 7 – Financial Instruments: Disclosures – In December 2011, the IASB issued amendments to IFRS 7 which establishes enhanced disclosure requirements for the actual and potential effects of netting arrangements on the Company's statements of financial position. The adoption of the amendments to IFRS 7 will result in additional disclosure to the Company's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2013 and are to be applied retrospectively. Earlier application is permitted.

IFRS 10 – Consolidated Financial Statements – In May 2011, the IASB issued IFRS 10 which replaces IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Consolidation – Special Purpose Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements. The new standard provides a revised definition of control and a single consolidation model as the basis for consolidation for all types of entities. The standard also provides additional guidance to assist in the determination of control. Capital Power does not expect that the adoption of this new standard will have a material effect on the consolidated financial statements, as application of the new definition of control is not expected to require a change in the Company's current accounting treatment for entities in which it holds an interest. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. Earlier application is permitted but must be applied simultaneously with IFRS 11 and IFRS 12.

IFRS 11 – Joint Arrangements – IFRS 11 was issued in May 2011 and supersedes IAS 31 – Interests in Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The standard classifies joint arrangements as joint operations or joint ventures. Joint operations are arrangements where the jointly controlling parties have rights to the assets and obligations for the liabilities of the joint arrangement. The joint operators will account for their respective shares of the arrangement using the proportionate consolidation method. Joint ventures are arrangements where the parties with joint control have rights to the net assets of the arrangement. IFRS 11 eliminates the choice to account for joint ventures using the proportionate consolidation method and instead requires the equity method of accounting. The Company does not expect that the adoption of this new standard will have a material effect on the consolidated financial statements, as it is substantially aligned with the Company's current practice. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. Earlier application is permitted but must be applied simultaneously with IFRS 10 and IFRS 12.

IFRS 12 – Disclosures of Interests in Other Entities – In May 2011, the IASB issued IFRS 12, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result, the Company anticipates providing additional financial statement disclosures relating to interests in subsidiaries and joint arrangements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and is to be applied retrospectively. Earlier application is permitted but must be applied simultaneously with IFRS 11 and IFRS 10.