

Financial Statements of

ENWIN POWERLINES LTD.

Year ended December 31, 2002

AUDITORS' REPORT

To the Shareholder of Enwin Powerlines Ltd.

We have audited the balance sheet of Enwin Powerlines Ltd. as at December 31, 2002 and the statements of shareholder's deficit, loss and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Windsor, Canada

March 26, 2003

ENWIN POWERLINES LTD.

Balance Sheet

December 31, 2002, with comparative figures for 2001

	2002	2001
		(Restated)
		(See note 13)
Assets		
Accounts receivable	\$ 21,096,848	\$ 9,170,338
Accounts receivable - unbilled revenue	24,041,447	20,362,993
Due from related parties (note 2)	-	104,319
Inventories	3,187,942	3,662,368
Prepays	389,847	-
Current portion of net investment in lease	402,978	432,106
	49,119,062	33,732,124
Capital assets (note 3)	149,421,219	140,085,736
Net investment in lease (note 4)	10,808,747	11,556,094
Work in progress	422,134	2,364,534
Deferred debt issuance costs	1,730,876	5,000
Regulatory assets (note 5)	16,556,577	-
	178,939,553	154,011,364
	\$ 228,058,615	\$ 187,743,488

See accompanying notes to financial statements.

	2002	2001
		(Restated)
		(See note 13)
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness (note 6)	\$ 33,005,921	\$ 1,324,292
Banker's acceptances (note 7)	13,436,820	58,384,755
Accounts payable and accrued liabilities	24,915,839	26,158,334
Due to related parties (note 2)	14,912,973	7,453,830
Payment in lieu of income taxes payable	62,000	90,000
Current portion of long-term borrowings	2,313,815	2,189,738
	<u>88,647,368</u>	<u>95,600,949</u>
Long-term liabilities:		
Vested sick leave	75,993	219,230
Customer deposits	586,726	788,946
Long-term borrowings (note 8)	67,016,927	19,330,741
Employee future benefits (note 9)	11,108,564	10,627,065
	<u>78,788,210</u>	<u>30,965,982</u>
Shareholder's equity:		
Common shares (note 11)	62,547,581	62,547,581
Contributed capital	516,528	516,528
Deficit	(2,441,072)	(1,887,552)
	<u>60,623,037</u>	<u>61,176,557</u>
Contingencies (note 16)		
	<u>\$ 228,058,615</u>	<u>\$ 187,743,488</u>

On behalf of the Board:

_____ Director

_____ Director

ENWIN POWERLINES LTD.

Statement of Shareholder's Deficit

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
		(Restated) (See note 13)
Retained earnings (deficit), beginning of year	\$ (1,887,552)	\$ 1,045,459
Loss for the year	(553,520)	(2,933,011)
Deficit, end of year	\$ (2,441,072)	\$ (1,887,552)

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Loss

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001 (Restated) (See note 13)
Revenue from sale of electricity and distribution service charges	\$ 257,151,699	\$ 232,797,439
Cost of electricity purchased	222,212,787	207,922,753
Net revenue	34,938,912	24,874,686
Other income from operations (note 18)	3,994,830	3,082,123
	38,933,742	27,956,809
Operating expenses	26,059,975	22,799,053
Income before the undernoted items and taxes	12,873,767	5,157,756
Restructuring charges (note 19)	364,288	—
Amortization	7,728,960	7,425,468
Gain on sale of capital assets	(41,146)	(1,128,929)
Interest expense	5,167,139	2,081,262
Interest income	(202,806)	(377,034)
	13,016,435	8,000,767
Loss before taxes	(142,668)	(2,843,011)
Payments in lieu of taxes (note 14)	410,852	90,000
Loss for the year	\$ (553,520)	\$ (2,933,011)

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Cash Flows

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
		(Restated) (See note 13)
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ (553,520)	\$ (2,933,011)
Add items not affecting cash:		
Amortization	7,728,960	7,425,468
Change in employee future benefits	481,499	467,888
Gain on sale of capital assets	(41,144)	(1,128,929)
Change in non-cash working capital (note 12)	(9,227,418)	8,255,268
Change in work in progress	1,942,400	(925,672)
Change in deposits	(202,220)	50,370
Change in vested sick leave	(143,237)	379,760
Change in cost of issuing long-term indebtedness	(1,725,876)	269,984
	(1,740,556)	11,861,126
Financing:		
Increase in debentures payable	50,000,000	-
Increase in bank indebtedness	31,681,629	1,324,292
Repayment of promissory note	(2,189,738)	(50,197,395)
Increase (decrease) in bankers' acceptances	(44,947,935)	58,384,755
	34,543,956	9,511,652
Investments:		
Increase in regulatory assets	(16,556,577)	-
Decrease (increase) in net investment in lease	776,475	(11,988,200)
Acquisition of capital assets	(17,134,597)	(12,058,573)
Proceeds from sale of capital assets	111,299	1,900,676
	(32,803,400)	(22,146,097)
Decrease in cash for the year	-	(773,319)
Cash, beginning of year	-	773,319
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Notes to Financial Statements

Year ended December 31, 2002

1. Significant accounting policies:

The more significant accounting policies are summarized below:

a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

b) Inventories:

Inventories consist principally of construction and maintenance materials and are stated at the lower of cost and net realizable value, with cost determined on an average cost basis.

c) Capital assets and amortization:

Capital assets are recorded at cost with cost being determined based on material, purchased services and internal labour and overhead as applicable.

Amortization is calculated on a straight-line basis over the estimated service lives of capital assets as follows:

Asset	Estimated service life
Building	50 years
Transformer station	40 years
Substation equipment	30 years
Distribution system - overhead	25 years
Distribution system - underground	25 years
Transformers	25 years
Meters	25 years
Tools and equipment	10 years

(d) Work in progress:

Work in progress is recorded at cost with cost being determined based on material, purchased services and internal labour and overhead as applicable.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

1. Significant accounting policies:

e) Cost of issuing long-term indebtedness:

Deferred debt issuance costs comprise of costs related to issuing long-term borrowings. Such costs are amortized into income on an effective yield basis in relation to the underlying long-term borrowings.

f) Employee future benefits:

The Corporation provides post employment benefits such as compensated sick leave, short and long term disability benefits and post retirement benefits such as life insurance, supplemental health and dental coverage for employees who retire from active employment and were hired prior to April 1, 2002.

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets.

The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected salary escalation, retirement ages of employees and expected health care costs.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

g) Pension plan:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

1. Significant accounting policies: (continued)

h) Revenue recognition:

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading.

i) Vested sick leave:

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees hired prior to January 1, 1977 may become entitled to a cash payment when they leave the Corporation's employment. The liability for those accumulated days, to the extent that they have vested and could be taken in cash by an employee upon termination, has been recorded.

j) Related party transactions:

Transactions with related parties are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

Related parties include Enwin Energy Ltd., Enwin Utilities Ltd., the Windsor Utilities Commission (the "Commission") and the City of Windsor.

k) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Certain estimates are also required as regulations, which will ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. Due to these uncertainties, actual results reported in future periods might differ from those estimates.

l) Payments in lieu of taxes ("PILs"):

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA").

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

1. Significant accounting policies: (continued)

l) Payments in lieu of taxes ("PILs"): (continued)

Commencing October 1, 2001 and pursuant to the *Electricity Act, 1998*, the Corporation is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the ITA and the OCTA as modified by the *Electricity Act, 1998*, and related regulations.

The Corporation provides for amounts in lieu of corporate income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

m) Capital lease:

Finance income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

2. Related party transactions:

- a) Under a Management Services Agreement effective January 1, 2000, Enwin Utilities Ltd. provides certain finance, administration, human resource, management and other support services to the Corporation. The total amount charged to the Corporation for the year ended December 31, 2002 was \$18,158,764 (2001 - \$15,529,501).
- b) Enwin Energy Ltd. provides marketing services to the Corporation. The total amount charged for these services for the year ended December 31, 2002 was \$ 34,000 (2001 - \$34,000).
- c) The Corporation provides sewer surcharge billing and collecting and street lighting for the City of Windsor. The total amount charged to the City of Windsor for the year ended December 31, 2002 was \$1,570,374 (2001 - \$1,613,769).

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

2. Related party transactions:

d) The amounts due to (from) related parties consist of:

	2002	2001
Due to Enwin Utilities Ltd.	\$ 3,094,643	\$ 7,453,830
Due to Enwin Utilities Ltd. – transition costs	11,818,330	–
Due from the City of Windsor	–	(104,319)
	<u>\$ 14,912,973</u>	<u>\$ 7,349,511</u>

The amounts due to Enwin Utilities Ltd. bears interest at prime, while the amount due from the City of Windsor is non-interest bearing. Neither amount has any specified repayment terms.

The amount due to Enwin Utilities Ltd. – transition costs relates to an agreement between the Corporation and Enwin Utilities Ltd. whereby Enwin Utilities Ltd. transferred the capital assets it had acquired which related to market opening to the Corporation at cost. These costs have been included as part of regulatory assets (see note 5).

Interest earned during the year from Enwin Utilities Ltd. amounted to \$201,190.

3. Capital assets:

			2002
	Cost	Accumulated amortization	Net book value
Land	\$ 215,705	\$ –	\$ 215,705
Building	128,963	29,509	99,454
Transformer station	21,606,146	1,515,635	20,090,511
Substation equipment	2,186,886	508,158	1,678,728
Distribution system - overhead	43,917,539	6,377,385	37,540,154
Distribution system - underground	52,716,992	7,729,067	44,987,925
Transformers	34,210,197	4,660,912	29,549,285
Meters	5,676,872	1,073,341	4,603,531
Tools and equipment	740,983	195,546	545,437
Work in progress	10,110,489	–	10,110,489
	<u>\$ 171,510,772</u>	<u>\$ 22,089,553</u>	<u>\$ 149,421,219</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

3. Capital assets: (continued)

			2001
	Cost	Accumulated amortization	Net book value
Land	\$ 229,922	\$ –	\$ 229,922
Building	193,382	29,515	163,867
Transformer station	21,491,738	934,072	20,557,666
Substation equipment	1,651,486	418,312	1,233,174
Distribution system - overhead	37,624,048	4,079,284	33,544,764
Distribution system - underground	46,659,112	5,008,751	41,650,361
Transformers	28,636,355	2,996,421	25,639,934
Meters	5,064,837	787,084	4,277,753
Tools and equipment	364,977	118,402	246,575
Work in progress	12,541,720	–	12,541,720
	<u>\$ 154,457,577</u>	<u>\$ 14,371,841</u>	<u>\$ 140,085,736</u>

4. Net investment in lease:

The Corporation's net investment in lease includes the following:

	2002	2001
Total minimum lease payments receivable:		
Current portion	\$ 1,469,208	\$ 1,776,495
Long-term portion	18,854,901	21,064,065
	20,324,109	22,840,560
Unearned finance income	(9,112,383)	(10,852,360)
	11,211,726	11,988,200
Less current portion, net	402,978	432,106
	<u>\$ 10,808,748</u>	<u>\$ 11,556,094</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

5. Regulatory assets:

Regulatory assets comprise:

	2002	2001
Transition costs	\$ 11,818,330	\$ –
Post-market opening retail settlement variances (net of reserve \$179,372)	4,446,746	–
Retail cost variances	222,553	–
Miscellaneous deferred debits	68,948	–
Extraordinary costs recoverable	1,167,798	–
	17,724,375	–
Less: extraordinary cost recovery allowance	(1,167,798)	–
	\$ 16,556,577	\$ –

The extraordinary costs recoverable relate to the severe ice storm which took place in January 2002.

Regulatory assets represent costs incurred by the Corporation for the purpose of supporting the deregulation of the electricity industry in Ontario. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the “EA”) and deferred in anticipation of their future recovery in electricity distribution charges.

Transition costs – represent specific and incremental costs to the Corporation for systems and process changes to support the opening of the competitive electricity market in Ontario on May 1, 2002 (“Market Opening”). These costs have been deferred pursuant to regulation underlying the EA and are subject to review and approval for recovery by the Ontario Energy Board (“OEB”). Expenditures determined to be ineligible for recovery will be expensed in the period of such determination.

Post-market opening retail settlement variances – represent amounts that have accumulated since Market Opening and comprise:

- a) variances between amounts charged by the Independent Electricity Market Operator (“IMO”) for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges, and the amounts billed to customers by the Corporation based on the OEB approved market service rate; and,

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

5. Regulatory assets: (continued)

- b) variances between the amounts charged by the IMO to allow for purchases of imported electricity and the amounts billed to customers by the Corporation based on the OEB approved rates.

Restructuring of the electricity industry in Ontario

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), conferred on the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity consumers, and the responsibility for ensuring the distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions to electricity distributors which may include, among other things, specified accounting records, regulatory accounting principles, separation of accounts for distinct business and filing and processing requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.

In response to volatile and rising electricity prices in 2002, the Province of Ontario enacted the Electricity Pricing, Conservation and Supply Act, 2002 ("EPCSA"). Under the EPCSA, the electricity distribution rates charged by the Corporation have been effectively frozen at current levels until 2006. The Corporation may apply to the Minister of Energy for rate increases or adjustments prior to 2006. However, it is anticipated that such increases or adjustments will only be approved in very limited or extraordinary circumstances.

Consequently, the Corporation will be unable to apply for the recovery of regulatory assets which was originally anticipated to commence March 1, 2003. However, the EPCSA directed electricity distribution utilities, such as the Corporation, to continue deferral of regulatory assets. In a letter dated January 23, 2003, the Minister of Energy indicated that the OEB will be directed to complete, prior to the end of 2003, a review of regulatory assets and to confirm amounts eligible for recovery and that the recovery of eligible amounts will commence no later than 2006.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

6. Bank indebtedness:

The Corporation, along with the other companies in the Enwin Group and the Commission, had an agreement with the CIBC for an operating line of credit in the amount of \$30 million. At certain times during the year, including the year-end date, the CIBC authorized and provided the Group additional credit beyond this limit. Subsequent to the year-end, this line of credit was increased to \$55 million. Interest charged on outstanding borrowings incurred by the Corporation and its other related companies in the group is calculated at the bank's prime rate less 1%.

The line of credit is collateralized by an assignment of long-term lease payments.

At the year-end the Corporation's drawings on this line amounted to \$31,829,046 (2001 - \$1,148,598) and the total drawing on the line by the Enwin Group was \$43,740,881. Not included in this amount are outstanding cheques amounting to \$1,176,875 (2001 - \$175,694).

7. Bankers' acceptances:

A banker's acceptance was purchased at a discount on December 20, 2002 for \$13,436,820 and is due for settlement on January 6, 2003 for a value of \$13,500,000 with an effective interest rate of 2.86%. On maturity date, this banker's acceptance has been rolled into three new bankers' acceptances with a final settlement of \$23,500,000 maturing at various times with the latest date being April 11, 2003. The banker's acceptance is collateralized by an assignment of long-term lease payments.

8. Long-term borrowings:

Long-term borrowings comprise of:

	2002	2001
Debentures payable bearing interest at 6.45% and due August 15, 2012 (i)	\$ 50,000,000	\$ -
Promissory note payable to City of Windsor (ii)	19,330,742	21,520,479
	69,330,742	21,520,479
Less current portion due	2,313,815	2,189,738
Total long-term borrowings	\$ 67,016,927	\$ 19,330,741

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

8. Long-term borrowings: (continued)

- (i) In 2002, the Corporation, along with four other Ontario local distribution companies, entered into an agreement with Electricity Distributors Finance Corporation ("EDFIN"), whereby EDFIN acquired unsecured debentures in the amount of \$175,000,000 from the participants. The Corporation's share of these debentures amounted to \$50,000,000. EDFIN, in turn, issued unsecured debentures for these amounts to TD Securities Inc. who sold them to external investors. The Corporation must pay semi-annual payments of interest on February 15 and August 15 in each year, commencing on February 15, 2003, until and including maturity on August 15, 2012. Principal repayment is due on maturity and interest will accrue on the outstanding principal amount on the basis of a rate of 6.45% per annum.
- (ii) The original promissory note payable to the City of Windsor dated January 1, 2000 was unsecured and non-interest bearing until August 1, 2001, at which time the rate was 6% per annum payable quarterly. The original promissory note was paid in full and refinanced by the Corporation and a promissory note dated December 20, 2001, in the principal sum of \$21,520,480 was issued. This note is unsecured, due on demand and bears interest at 6% per annum payable quarterly. Subsequent to year-end, the City of Windsor has agreed to not demand repayments beyond the schedule agreed to in the note.

Scheduled principal repayments on long-term debt are as follows:

2003	\$ 2,313,815
2004	2,449,546
2005	2,591,049
2006	2,743,145
2007	2,903,622
Thereafter	56,329,565
	<hr/>
	\$ 69,330,742

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

9. Employee future benefits:

The Corporation pays certain health, dental and life insurance benefits on behalf of its retired employees (see note 1(f)).

Information about the Corporation's defined benefit plan is as follows:

	2002	2001
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 10,627,065	\$ 10,159,177
Service cost	255,819	241,339
Interest cost	640,528	612,454
Benefits paid	(414,848)	(385,905)
Benefit obligation, end of year	11,108,564	10,627,065
Change in plan assets:		
Fair value of plan assets, beginning of year	-	-
Employer contributions	414,848	385,905
Benefits paid	(414,848)	(385,905)
Fair value of plan assets, end of year	-	-
Funded status:		
Funded status, end of year	(11,108,564)	(10,627,065)
Net amount recognized	(11,108,564)	(10,627,065)
Discount rate	6%	6%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	2%	2%
Medical trend rate:		
Initial	6.5%	8.5%
Ultimate	4.5%	4.5%
Year of ultimate level	2004	2004
Components of net periodic benefit cost:		
Service cost	255,819	241,339
Interest cost	640,528	612,454
Net periodic benefit costs	\$ 896,347	\$ 853,793

The effect of a 1% increase or decrease in the assumed health care cost trend rate is not readily available.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

10. Pension plan:

The Corporation participates in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan. Effective August 1, 1998, OMERS provided the Corporation with a temporary contribution holiday with no contributions payable by the Corporation or its employees until December 31, 2002. Contributions by the Corporation will commence effective January 1, 2003. In 2003, the contribution rates will be 2.1% for employees earnings below the year's maximum pensionable earnings and 2.6% thereafter. In 2004, the contribution rates rise to 6.0% and 8.8% respectively.

11. Share capital:

The authorized and issued share capital is as follows:

Authorized:

Unlimited common shares

Issued:

11,000 common shares

\$62,547,581

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

12. Cash flow information:

The change in non-cash working capital is as follows:

	2002	2001
Decrease (increase) in current assets:		
Accounts receivable	\$ (11,926,510)	\$ 2,328,910
Accounts receivable – unbilled revenue	(3,678,454)	(129,176)
Due from related parties	104,319	784,851
Prepays	(389,847)	–
Inventories	474,426	99,380
	(15,416,066)	3,083,965
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(1,242,495)	343,903
Due to related parties	7,459,143	4,737,400
Payment in lieu of income taxes payable	(28,000)	90,000
	6,188,648	5,171,303
	\$ (9,227,418)	\$ 8,255,268

Income taxes and interest paid during the year amounted to \$1,040,479 (2001 - \$nil) and \$3,830,293 (2001 - \$2,050,061) respectively.

13. Correction of error – accounts receivable, unbilled revenue:

In the prior year, the report used to determine the value for unbilled revenue utilized incorrect assumptions with respect to GST. In creating the report, GST was not removed from the amount of total revenue reported. Therefore, in 2001, the amounts reported for Accounts Receivable – Unbilled Revenue, (and consequently revenue) was overstated by GST. The report has been revised in the current year to separately identify GST and accordingly, the comparative financial statements have been restated as follows:

	Increase (decrease)
Balance sheet:	
Accounts receivable – Unbilled revenue	\$ (1,226,183)
Deficit	\$ 1,226,183
Statement of loss:	
Revenue	\$ (1,226,183)
Net income	\$ (1,226,183)
Statement of retained earnings (deficit):	
Retained earnings, beginning of year	\$ (1,226,183)

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

14. Payments in lieu of taxes:

As at December 31, 2002, the Corporation had non-capital loss carryforwards of approximately \$18,419,000 (2001 - \$5,320,000) which expire in 2008 and 2009. The benefit of these losses has not been recorded in these financial statements. In addition, the Corporation had deductible temporary differences of approximately \$34,212,000 (2001 - \$22,175,000) for which no future income tax asset was recorded.

15. Liability insurance:

The Corporation is a member of the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"), a self-insurance plan that pools the liability risks of all the Municipal Electric Utilities in Ontario. Members of MEARIE are assessed on a pro-rata basis should losses be experienced by MEARIE for the years in which the Corporation was a member.

To December 31, 2002, the Corporation has not been made aware of any additional assessments.

Participation in MEARIE covers a three-year underwriting period, which expires January 1, 2004. Notice to withdraw from MEARIE must be given six months prior the commencement of the next three-year underwriting term.

16. Contingencies:

The Corporation is periodically subject to lawsuits in which it is the defendant. In the opinion of management, the ultimate resolution of any current lawsuit would not have a material effect on the financial position of the Corporation.

A class action lawsuit claiming \$500 million in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981. The claim asserts that late payment penalties result in municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The Municipal Electric Association is undertaking the defense of this class action. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Corporation. Consequently, no provision has been made in these financial statements with respect to any possible losses that may arise as a result of this matter.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2002

17. Fair value of financial instruments:

The carrying values of accounts receivable, accounts payable and accrued liabilities, amounts due to related parties and banker's acceptances approximate fair value due to the short maturity of these instruments.

The promissory note and bond payable, approximates fair value based on market prices for similar debt.

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2002, there were no significant concentrations of credit risk with respect to any class of financial assets.

The Corporation earns its revenue from a broad base of customers located principally in the City of Windsor. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

18. Other income from operations:

	2002	2001
Change in occupancy	\$ 110,386	\$ 105,040
Late payment and collection charges	1,179,644	1,006,117
Other operating revenues	431,451	1,142,196
Services provided to others, net	175	47,298
Pole rental	341,997	207,380
Sale of scrap	186,284	123,355
Sewer surcharge billing and collecting	453,960	450,737
Finance income on lease	1,290,933	—
	<u>\$ 3,994,830</u>	<u>\$ 3,082,123</u>

19. Restructuring initiatives:

In 2002, the Corporation recorded restructuring charges totalling \$364,228. These costs relate to terminations, severance and other related costs.

During the fourth quarter of fiscal 2002, the Corporation initiated a plan to restructure to eliminate all redundant positions created as a result of the market closure in November 2002. Of the total amount expensed, \$64,288 has been paid in 2002 with the remainder expected to be paid in 2003.

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Notes to Financial Statements (continued)

Year ended December 31, 2002

20. Comparative figures:

Certain comparative amounts have been reclassified to conform with the presentation in the current year.