

Financial Statements of

ENWIN POWERLINES LTD.

Year ended December 31, 2003

AUDITORS' REPORT

To the Shareholder of Enwin Powerlines Ltd.

We have audited the balance sheet of Enwin Powerlines Ltd. as at December 31, 2003 and the statements of retained earnings, income 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are in a cursive, slightly slanted font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Windsor, Canada

February 20, 2004

2003

2002

Liabilities and Shareholder's Equity

Current liabilities:

Bank indebtedness (note 6)	\$ 18,919,703	\$ 33,005,921
Banker's acceptances (note 6)	28,808,360	13,436,820
Accounts payable and accrued liabilities	19,969,698	24,915,839
Due to related parties (note 2)	—	14,912,973
Payment in lieu of income taxes payable	—	62,000
Current portion of long-term borrowings	2,449,546	2,313,815
	<u>70,147,307</u>	<u>88,647,368</u>

Long-term liabilities:

Vested sick leave	84,010	75,993
Customer deposits	1,069,754	586,726
Long-term borrowings (note 7)	64,567,381	67,016,927
Employee future benefits (note 8)	11,552,011	11,108,564
	<u>77,273,156</u>	<u>78,788,210</u>

Shareholder's equity:

Common shares (note 10)	62,547,581	62,547,581
Contributed capital	516,528	516,528
Retained earnings (deficit)	68,401	(2,441,072)
	<u>63,132,510</u>	<u>60,623,037</u>

Contingencies (note 15)

	<u>\$ 210,552,973</u>	<u>\$ 228,058,615</u>
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On behalf of the Board:

_____ Director

_____ Director

ENWIN POWERLINES LTD.

Statement of Retained Earnings

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Deficit, beginning of year	\$ (2,441,072)	\$ (1,887,552)
Net income (loss) for the year	2,509,473	(553,520)
Retained earnings (deficit), end of year	\$ 68,401	\$ (2,441,072)

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Income

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Electricity and distribution service charges (note 11)	\$ 37,677,400	\$ 34,938,912
Other income from operations (note 17)	3,216,246	3,994,830
	40,893,646	38,933,742
Operating expenses	23,056,500	26,059,975
Income before the undernoted items and taxes	17,837,146	12,873,767
Restructuring charges (note 18)	233,200	364,288
Depreciation and amortization	8,552,024	7,728,960
Gain on sale of capital assets	—	(41,146)
Interest	6,127,449	4,964,333
	14,912,673	13,016,435
Income (loss) before taxes	2,924,473	(142,668)
Payments in lieu of taxes (note 13)	415,000	410,852
Net income (loss) for the year	\$ 2,509,473	\$ (553,520)

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Cash Flows

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 2,509,473	\$ (553,520)
Add items not affecting cash:		
Depreciation and amortization	8,552,025	7,728,960
Change in employee future benefits	443,447	481,499
Gain on sale of capital assets	—	(41,144)
Change in cost of issuing long-term indebtedness	179,832	(1,725,876)
Change in non-cash working capital (note 12)	(5,321,808)	(9,227,418)
Change in work in progress	(75,411)	1,942,400
Change in deposits	483,028	(202,220)
Change in vested sick leave	8,017	(143,237)
	6,778,603	(1,740,556)
Financing:		
Increase in debentures payable	—	50,000,000
Increase (decrease) in bank indebtedness	(14,086,218)	31,681,629
Repayment of long-term borrowings	(2,313,815)	(2,189,738)
Increase (decrease) in banker's acceptances	15,371,540	(44,947,935)
	(1,028,493)	34,543,956
Investments:		
Decrease (increase) in regulatory assets	1,570,874	(16,556,577)
Decrease in net investment in lease	1,331,152	776,475
Acquisition of capital assets	(8,652,136)	(17,134,597)
Proceeds from sale of capital assets	—	111,299
	(5,750,110)	(32,803,400)
Increase in cash for the year	—	—
Cash, beginning of year	—	—
Cash, end of year	\$ —	\$ —

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Notes to Financial Statements

Year ended December 31, 2003

1. Significant accounting policies:

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 depreciation and amortization:

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

Depreciation and 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, 2003

1. Significant accounting policies: (continued)

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) Customer deposits:

Customer deposits comprise cash collections from electricity customers which are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individuals upon termination of their electricity service.

g) 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.

Actuarial gains and losses and past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of the employees.

h) 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, 2003

1. Significant accounting policies: (continued)

i) 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.

j) 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.

k) 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.

l) Use of estimates:

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.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate allowance for doubtful accounts. Inventories are recorded net of provisions for obsolescence.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

1. Significant accounting policies: (continued)

m) 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").

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.

n) 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, 2003 was \$17,291,952 (2002 - \$18,158,764).
- b) Enwin Energy Ltd. provides marketing services to the Corporation. The total amount charged for these services for the year ended December 31, 2003 was \$nil (2002 - \$34,000).

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

2. Related party transactions: (continued)

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, 2003 was \$1,138,540 (2002 - \$1,570,374).

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

	2003	2002
Due from (to) Enwin Utilities Ltd.	\$ 3,640,108	\$ (3,094,643)
Due to Enwin Utilities Ltd. – transition costs	–	(11,818,330)
	<u>\$ 3,640,108</u>	<u>\$(14,912,973)</u>

Interest earned during the year from Enwin Utilities Ltd. amounted to \$7,410 (2002 - \$201,190).

3. Capital assets:

			2003
	Cost	Accumulated amortization	Net book value
Land	\$ 215,705	\$ –	\$ 215,705
Building	128,963	37,448	91,515
Transformer station	21,306,950	2,096,172	19,210,778
Substation equipment	2,186,886	604,241	1,582,645
Distribution system - overhead	50,576,833	9,047,753	41,529,080
Distribution system - underground	56,167,963	10,615,309	45,552,654
Transformers	37,694,164	6,571,015	31,123,149
Meters	5,878,160	1,374,264	4,503,896
Tools and equipment	905,086	295,376	609,710
Work in progress	5,102,198	–	5,102,198
	<u>\$ 180,162,908</u>	<u>\$ 30,641,578</u>	<u>\$ 149,521,330</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

3. Capital assets: (continued)

			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>

4. Net investment in lease:

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

	2003	2002
Total minimum lease payments receivable:		
Current portion	\$ 1,362,504	\$ 1,469,208
Long-term portion	16,122,938	18,854,901
	17,485,442	20,324,109
Unearned finance income, 6.45%	(7,604,869)	(9,112,383)
	9,880,573	11,211,726
Less current portion, net	397,769	402,978
	<u>\$ 9,482,804</u>	<u>\$ 10,808,748</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

5. Regulatory assets:

	2003	2002
Transition costs	\$ 11,818,330	\$ 11,818,330
Post-market opening retail settlement variances (net of reserve \$439,076)	2,610,488	4,446,746
Retail cost variances	487,619	222,553
Miscellaneous deferred debits	69,266	68,948
Extraordinary costs recoverable	1,167,798	1,167,798
	16,153,501	17,724,375
Less: extraordinary cost recovery allowance	(1,167,798)	(1,167,798)
	\$ 14,985,703	\$ 16,556,577

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.

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

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, 2003

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.

Under the OEBA, electricity distributors must receive approval of the Ministry of Energy to apply to the OEB for a change in the rates they may charge. On December 19, 2003, the Minister of Energy notified all distributors in Ontario advising them to apply to the OEB for recovery of deferred costs referred to as regulatory assets. It is the government's intention that regulatory assets be recovered over a four-year period. The Board's intention is to provide for recovery of 25% regulatory assets as at December 31, 2002 on amended rate schedules, to be issued April 1, 2004, with a March 1, 2004 effective date.

6. Bank indebtedness and bankers' acceptances:

The Corporation along with Enwin Utilities Ltd. and Enwin Energy Ltd., has an agreement with a Canadian chartered bank for an available line of credit in the amount of \$67,375,000 and \$10,000,000 in available letters of credit. Interest charged on outstanding borrowings incurred by the Corporation is calculated at the bank's prime rate less .85% (3.65% as of December 31, 2003) or bankers' acceptances plus .40% (3.2% as of December 31, 2003).

The line of credit is collateralized by an assignment of long-term lease payments and restricts the availability of the Corporation to lien assets.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

6. Bank indebtedness and bankers' acceptances: (continued)

At the year-end, the Corporation's drawings on this line amounted to \$44,536,180 (2002 - \$45,265,866). Not included in this amount is outstanding cheques amounting to \$3,191,883 (2002 - \$1,176,875). At the year-end, the total drawings of Enwin Powerlines Ltd., Enwin Utilities Ltd. and Enwin Energy Ltd. amounted to \$44,536,180 (2002 - \$61,155,776).

7. Long-term borrowings:

Long-term borrowings consist of:

	2003	2002
Debentures payable bearing interest at 6.45% and due August 15, 2012 (i)	\$ 50,000,000	\$ 50,000,000
Promissory note payable to City of Windsor (ii)	17,016,927	19,330,742
	67,016,927	69,330,742
Less current portion due	2,449,546	2,313,815
Total long-term borrowings	\$ 64,567,381	\$ 67,016,927

- (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) A promissory note payable to the City of Windsor dated December 20, 2001 is unsecured, due on demand and bears interest at 6% per annum payable quarterly. The note has scheduled principal repayments and is finally due in 2009. The City of Windsor has agreed to not demand repayments beyond the schedule set out in the note.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

7. Long-term borrowings: (continued)

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

2004	\$ 2,449,546
2005	2,591,049
2006	2,743,145
2007	2,903,622
2008	3,073,591
Thereafter	53,255,974
	<u>\$ 67,016,927</u>

8. Employee future benefits:

The Corporation pays certain health, dental and life insurance benefits on behalf of its retired employees.

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

	2003	2002
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 11,108,564	\$ 10,627,065
Service cost	257,091	255,819
Interest cost	681,268	640,528
Benefits paid	(494,912)	(414,848)
<u>Benefit obligation, end of year</u>	<u>11,552,011</u>	<u>11,108,564</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	—	—
Employer contributions	494,912	414,848
Benefits paid	(494,912)	(414,848)
<u>Fair value of plan assets, end of year</u>	<u>—</u>	<u>—</u>
Funded status:		
<u>Funded status, surplus (deficit)</u>	<u>\$(11,552,011)</u>	<u>\$(11,108,564)</u>
Amount recognized in the balance sheet:		
<u>Accrued benefit liability</u>	<u>\$(11,552,011)</u>	<u>\$(11,108,564)</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

8. Employee future benefits: (continued)

	2003	2002
Discount rate	6%	6%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3%	2%
Medical trend rate:		
Initial	7.5%	6.5%
Ultimate	4.5%	4.5%
Year of ultimate level	2007	2004
Components of net periodic benefit cost:		
Service cost	257,091	255,819
Interest cost	681,268	640,528
Net periodic benefit costs	\$ 938,359	\$ 896,347

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

9. 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. In 2003, the contribution rate is 2.1% for employees earnings below the year's maximum pensionable earnings and 2.6% thereafter. Contributions paid during the year totalled \$136,282. In 2004, the contribution rates rise to 6.0% and 8.8% respectively.

10. 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, 2003

11. Electricity distribution service charges:

Electricity distribution service charges comprises:

	2003	2002
Customer billings for electricity and distribution service charges	\$ 221,281,193	\$ 257,151,699
Cost of electricity purchased	183,603,793	222,212,787
	<u>\$ 37,677,400</u>	<u>\$ 34,938,912</u>

12. Cash flow information:

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

	2003	2002
Decrease (increase) in current assets:		
Accounts receivable	\$ 7,955,662	\$(11,926,510)
Accounts receivable – unbilled revenue	8,934,069	(3,678,454)
Due from related parties	(3,640,108)	104,319
Prepays	142,113	(389,847)
Inventories	1,207,570	474,426
	<u>14,599,306</u>	<u>(15,416,066)</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(4,946,141)	(1,242,495)
Due to related parties	(14,912,973)	7,459,143
Payment in lieu of income taxes payable	(62,000)	(28,000)
	<u>(19,921,114)</u>	<u>6,188,648</u>
	<u>\$ (5,321,808)</u>	<u>\$ (9,227,418)</u>

Income taxes and interest paid during the year amounted to \$987,456 (2002 - \$1,040,479) and \$4,993,634 (2002 - \$3,830,293) respectively.

13. Payments in lieu of taxes:

As at December 31, 2003, the Corporation had non-capital loss carryforwards for income tax purposes of approximately \$16,025,000 (2002 - \$18,419,000) which expire in 2008 and 2009. For financial reporting purposes a future tax asset has not been recognized in respect of these loss carry forwards.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

13. Payments in lieu of taxes: (continued)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future tax liabilities and assets as of December 31, 2003 are as follows:

Future tax liabilities:	
Regulatory assets	\$ 5,413,000
Investment in lease	3,569,000
Deferred debt issuance costs	207,000
<u>Total future tax liabilities</u>	<u>\$ 9,189,000</u>
Future tax assets:	
Capital assets	\$ 16,642,000
Employee future benefits	4,173,000
Intangible assets	3,759,000
Loss carryforwards	5,788,000
<u>Total future tax assets before valuation allowance</u>	<u>30,362,000</u>
<u>Valuation allowance for future tax assets</u>	<u>(21,173,000)</u>
<u>Total future tax assets</u>	<u>9,189,000</u>
<u>Net future tax assets and liabilities</u>	<u>\$ —</u>

14. 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, 2003, the Corporation has not been made aware of any assessments.

Participation in MEARIE covers a three-year underwriting period, which expires January 1, 2007. Notice to withdraw from MEARIE must be given six months prior the commencement of the next three-year underwriting term. Participation has been renewed in 2004.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

15. 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.

16. 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, 2003, 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.

17. Other income from operations:

	2003	2002
Change in occupancy	\$ 121,622	\$ 110,386
Late payment and collection charges	901,710	1,179,644
Other operating revenues	256,922	431,451
Services provided to others, net	75,684	175
Pole rental	315,400	341,997
Sale of scrap	114,074	186,284
Sewer surcharge billing and collecting	506,210	453,960
Finance income on lease	924,624	1,290,933
	<u>\$ 3,216,246</u>	<u>\$ 3,994,830</u>

18. Restructuring initiatives:

In 2003, the Corporation recorded restructuring charges totalling \$233,200 (2002 - \$364,288). These costs relate to terminations, severance and other related costs.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2003

19. Comparative figures:

Certain of the comparative figures have been reclassified to conform with the current year's presentation.