

Financial Statements of

ENWIN POWERLINES LTD.

Year ended December 31, 2004

AUDITORS' REPORT

To the Shareholder of Enwin Powerlines Ltd.

We have audited the balance sheet of Enwin Powerlines Ltd. as at December 31, 2004 and the statements of retained earnings (deficit), earnings (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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

Windsor, Canada

February 18, 2005, except
as to notes 2 and 6 which are as
of May 6, 2005

2004

2003

Liabilities and Shareholder's Equity

Current liabilities:

Bank indebtedness (note 7)	\$ 20,157,749	\$ 18,919,703
Banker's acceptances (note 7)	25,054,400	28,808,360
Accounts payable and accrued liabilities	24,329,194	19,969,698
Due to related parties (note 3)	1,100,000	—
Current portion of long-term borrowings	2,591,049	2,449,546
	<u>73,232,392</u>	<u>70,147,307</u>

Long-term liabilities:

Vested sick leave	29,394	84,010
Customer deposits	965,442	1,069,754
Long-term borrowings (note 8)	61,976,331	64,567,381
Employee future benefits (note 9)	11,955,417	11,552,011
	<u>74,926,584</u>	<u>77,273,156</u>

Shareholder's equity:

Common shares (note 11)	61,447,581	62,547,581
Contributed capital	516,528	516,528
Retained earnings (deficit)	(4,685,143)	68,401
	<u>57,278,966</u>	<u>63,132,510</u>

Contingencies and commitments (notes 16 and 17)

	<u>\$ 205,437,942</u>	<u>\$ 210,552,973</u>
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See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ENWIN POWERLINES LTD.

Statement of Retained Earnings (Deficit)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Retained earnings (deficit), beginning of year	\$ 68,401	\$ (2,441,072)
Net earnings (loss)	(4,753,544)	2,509,473
Retained earnings (deficit), end of year	\$ (4,685,143)	\$ 68,401

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Earnings (Loss)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Electricity and distribution service charges (note 12)	\$ 36,325,018	\$ 37,677,400
Other income from operations (note 19)	3,081,655	2,710,036
	39,406,673	40,387,436
Operating expenses	23,378,422	22,550,290
Earnings before the undernoted items and taxes	16,028,251	17,837,146
Amortization	8,932,722	8,552,024
Interest	5,565,402	6,127,449
Loss on disposal of capital assets	6,171	—
Impairment of regulatory assets (notes 2 and 6)	6,000,000	—
Restructuring charges	—	233,200
	20,504,295	14,912,673
Earnings (loss) before taxes	(4,476,044)	2,924,473
Payments in lieu of taxes	277,500	415,000
Net earnings (loss)	\$ (4,753,544)	\$ 2,509,473

See accompanying notes to financial statements.

ENWIN POWERLINES LTD.

Statement of Cash Flows

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ (4,753,544)	\$ 2,509,473
Add items not affecting cash:		
Amortization	8,932,722	8,552,024
Change in employee future benefits	403,406	443,448
Loss on sale of capital assets	6,171	-
Change in deferred debt issuance costs	179,831	179,832
Impairment of regulatory assets	6,000,000	-
Change in work in progress	(27,950)	(75,411)
Change in customer deposits	(104,312)	483,028
Change in vested sick leave	(54,616)	8,017
Change in non-cash working capital (note 13)	(908,225)	(5,321,808)
	9,673,483	6,778,603
Financing:		
Increase (decrease) in bank indebtedness	1,238,046	(14,086,218)
Increase (decrease) in banker's acceptances	(3,753,960)	15,371,540
Repayment of long-term borrowings	(2,449,547)	(2,313,815)
Reduction of stated capital	(1,100,000)	-
	(6,065,461)	(1,028,493)
Investments:		
Decrease in regulatory assets	4,129,795	1,570,874
Decrease in net investment in lease	397,766	1,331,152
Acquisition of capital assets	(8,133,430)	(8,652,136)
Net proceeds on sale of capital assets	(2,153)	-
	(3,608,022)	(5,750,110)
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 (continued)

Year ended December 31, 2004

Enwin Powerlines Ltd., a local distribution company is responsible for the transmission and distribution of electricity as well as the service and maintenance of the City of Windsor's powerline infrastructure.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") including accounting prescribed by the Ontario Energy Board (the "OEB") in the Accounting Procedures Handbook (the "AP Handbook") for Electric Distribution Utilities and reflect the significant accounting policies as summarized below:

a) Rate regulation:

Enwin Powerlines Ltd. is regulated by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity customers and for ensuring the distribution companies fulfill obligations to connect and service customers.

The economic impact of rate regulation is reported in these financial statements. Regulatory assets represent certain costs that may be recovered from customers in future periods through the rate-making process. In its capacity to approve or fix rates, the OEB has specified the following regulatory treatments, which have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

(i) Transition costs:

Capital and operating costs incurred in respect of the transition to competitive electricity markets in Ontario (transition costs or market ready costs) have been deferred in accordance with criteria set in the OEB's Electricity Distribution Rate Handbook and the AP Handbook. Under such regulation, certain costs are allowed to be deferred that would be expensed when incurred under GAAP. To the extent that transition costs have been incurred which do not qualify for deferral, these costs have been expensed during the period they were incurred.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(ii) Settlement variances:

The Corporation has deferred certain post-market opening retail settlement variances in accordance with Article 490 set out in the AP Handbook. The settlement variances relate primarily to service charges, non-competitive electricity charges, and power charges (note 6). Other than the variance for the cost of imported power, the nature of the settlement variances is such that their balance shall change each reporting period-end date.

(iii) Extraordinary costs:

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

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:

Capital assets are 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, 2004

1. Significant accounting policies (continued):

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
Trailers	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.

e) Deferred debt issuance costs:

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

f) Customer deposits:

Customer deposits represent refundable maintenance deposits received from developers, deposits for recoverable work and prudential deposits from retailers.

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.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

The Corporation accrues its obligations under employee benefit plans and the related costs.

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.

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.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

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").

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. A valuation allowance is recorded against any future tax asset if it is more likely than not the asset will not be realized.

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.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

n) Long-lived assets:

Long-lived assets, including capital assets, are amortized over their useful lives. The Corporation periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Corporation reviews for impairment long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Corporation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

o) 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.

2. Electricity industry restructuring and regulation:

On October 30, 1998, the provincial government passed the Electricity Act and the Ontario Energy Board Act, collectively known as Bill 35, the Energy Competition Act, 1998. The Electricity Act established the framework for a competitive market for the sale of electricity in the Province of Ontario. The Ontario Energy Board Act gave the OEB the power to licence and regulate all market participants, and set transmission and distribution rates.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

2. Electricity industry restructuring and regulation (continued):

The electricity marketplace was deregulated on May 1, 2002 and electricity generators, electricity wholesalers and retailers began competing for customers. As mandated by the Energy Competition Act (Bill 35), a three-year phase-in (2001 to 2003) of the electricity distributors' commercial rate of return and provincial tax increases was implemented to smooth the impact on consumers of the transition of distributors from municipal electric utilities.

However, in response to volatile and rising electricity prices in 2002, the Province of Ontario enacted The Electricity Pricing, Conservation and Supply Act, 2002 (Bill 210). This new legislation was given Royal Assent on December 9, 2002, effectively froze distribution rates until 2006, and fixed the commodity price paid by low volume and designated customers at 4.3 cents per kilowatt-hour (kWh) retroactive to May 1, 2002.

On December 18, 2003, Bill 210 was superseded and modified by Bill 4 when a newly elected provincial government passed the Ontario Energy Board Amendment Act (Electricity Pricing), 2003 which enabled further changes to the pricing of electricity in Ontario.

In June 2004, the provincial government introduced legislation to further restructure the electricity industry. On December 9, 2004, this new legislation, the Electricity Restructuring Act, 2004 (Bill 100) received Royal Assent. Bill 100 makes amendments to the Electricity Act, and the OEB Act, 1998. The legislation deals primarily with supply and conservation, reassigns responsibilities to different entities, and lays out the roles and responsibilities for the new Ontario Power Authority (OPA). Additionally, the Independent Market Operation (IMO) will be renamed the Independent Electricity System Operator (IESO) to better reflect its new role.

a) Electricity commodity pricing:

On April 1, 2004, Bill 4 removed the 4.3 cents commodity price freeze, and a two-tiered pricing regime was implemented for all customers who were eligible for the 4.3 cents commodity rate. The commodity price was fixed at 4.7 cents per kWh for the first 750 kWh of consumption per month and 5.5 cents per kWh for any incremental monthly consumption thereafter. This current two-tiered pricing regime will remain in place until April 1, 2005 when the OEB will institute a regulated price plan (RPP).

The proposed RPP will retain the two-tiered pricing regime, but the 750 kWh threshold for residential customers will only stay in place until October 31, 2005. Thereafter, the proposed thresholds for residential consumers are 1000 kWh during a winter season and 600 kWh during a summer season. For non-residential consumers, the 750 kWh threshold will remain the same throughout the year. The RPP also proposes time-of-use pricing for consumers installed with smart meters.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

2. Electricity industry restructuring and regulation (continued):

b) Recovery of regulatory assets and measurement uncertainty:

Bill 210 eliminated the ability of electricity distributors to recover a variety of costs incurred since their preparations for market opening. These costs were deemed to be “regulatory assets”, and are reflected in the balance sheet until the manner and timing of disposition is determined by the OEB.

On June 30, 2004 the OEB, at the request of the Corporation, adjourned the Corporation’s application in respect of its Phase 2 Regulatory Asset proceeding. This proceeding dealt with, amongst other matters, the recovery of transition costs incurred by the Corporation in preparing for market opening in May 2002. The Corporation intends to proceed with its application some time in 2005.

On December 9, 2004, the OEB released its process for OEB review of the prudence of the total regulatory asset amounts claimed by electricity distributors. This process, which commences in 2005, will determine the final recovery amount of their regulatory assets to be included in future distribution rates.

With the introduction of Bill 4, the Corporation was allowed to recover some of its regulatory assets under the supervision of the OEB, on an interim basis, over a four-year period starting April 1, 2004 (note 6). In light of the four-year time span coupled with uncertainty and associated other risks, and the nature of the regulatory asset recovery application process, management has recorded a reserve for regulatory asset impairment in the amount of \$7,167,798 (2003 – \$1,167,798). This estimate is subject to some uncertainty based on the results of the Regulatory Asset proceeding. This represents the extraordinary costs recoverable allowance of \$1,167,798 and a transition cost allowance of \$6,000,000.

3. 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, 2004 was \$17,005,866 (2003 - \$17,291,952).
- b) The Corporation provides street lighting for the City of Windsor. The total amount charged to the City of Windsor for the year ended December 31, 2004 was \$431,575 (2003 - \$632,330).

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

3. Related party transactions (continued):

c) The amounts due from related parties consist of:

	2004	2003
Due from Enwin Utilities Ltd.	\$ 5,522,661	\$ 3,640,108

Interest earned during the year from Enwin Utilities Ltd. amounted to \$48,459 (2003 - \$7,410).

d) The amounts due to related parties consist of:

	2004	2003
Due to Windsor Canada Utilities Ltd.	\$ 1,100,000	\$ -

4. Capital assets:

	2004		
	Cost	Accumulated amortization	Net book value
Land	\$ 211,686	\$ -	\$ 211,686
Building	105,606	22,031	83,575
Transformer station	21,261,559	2,671,781	18,589,778
Substation equipment	2,246,727	700,447	1,546,280
Distribution system - overhead	54,070,490	11,857,493	42,212,997
Distribution system - underground	58,314,069	13,629,000	44,685,069
Transformers	39,490,920	8,559,495	30,931,425
Meters	6,259,475	1,688,102	4,571,373
Tools and equipment	1,227,492	422,342	805,150
Trailers	15,891	252	15,639
Assets in progress	5,065,048	-	5,065,048
	<u>\$ 188,268,963</u>	<u>\$ 39,550,943</u>	<u>\$ 148,718,020</u>

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

4. Capital assets (continued):

	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
Assets in progress	5,102,198	–	5,102,198
	<u>\$ 180,162,908</u>	<u>\$ 30,641,578</u>	<u>\$ 149,521,330</u>

5. Net investment in lease:

	2004	2003
Total minimum lease payments receivable:		
Current portion	\$ 1,362,504	\$ 1,362,504
Long-term portion	14,760,437	16,122,938
	16,122,941	17,485,442
Unearned finance income, 6.45%	(6,640,134)	(7,604,869)
	9,482,807	9,880,573
Less current portion, net	439,690	397,769
	<u>\$ 9,043,117</u>	<u>\$ 9,482,804</u>

6. Regulatory assets:

The "Electricity Pricing, Conservation and Supply Act, 2002" (Bill 210) deems certain costs and variance account balances to be accounted for as regulatory assets (note 1a).

The Ontario Energy Board Amendment Act, (Electricity Pricing), 2003 (Bill 4) allowed LDCs to adjust their distribution rates to recover some of their regulatory assets, on an interim basis, over a four year period starting April 1, 2004.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

6. Regulatory assets (continued):

On December 9, 2004, the OEB released its process for OEB review of the prudence of the total regulatory asset amounts claimed by electricity distributors. The process, which commences in 2005, will determine the final recovery amount of their regulatory assets to be included in future distribution rates.

	2004	2003
Transition costs	\$ 11,818,330	\$ 11,818,330
Post-market opening retail settlement variances (net of reserve \$429,288)	1,694,431	2,610,488
Retail cost variances	654,456	487,619
Miscellaneous deferred debits	69,266	69,266
Extraordinary costs recoverable	1,167,798	1,167,798
Other regulatory assets	205,131	—
	15,609,412	16,153,501
Less: Allowance	(7,167,798)	(1,167,798)
Recovery of regulatory assets	(3,585,706)	—
	\$ 4,855,908	\$ 14,985,703

7. 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 \$66,400,000 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% or bankers' acceptances plus 40 bps.

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, 2004

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

At the year-end, the Corporation's drawings on this line amounted to \$45,155,652 (2003 - \$44,536,180). Not included in this amount are outstanding cheques amounting to \$56,497 (2003 - \$3,191,883). At the year-end, the total drawings of Enwin Powerlines Ltd., Enwin Utilities Ltd. and Enwin Energy Ltd. amounted to \$45,155,652 (2003 - \$44,536,180).

8. Long-term borrowings:

	2004	2003
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)	14,567,380	17,016,927
	64,567,380	67,016,927
Less current portion due	2,591,049	2,449,546
Total long-term borrowings	\$ 61,976,331	\$ 64,567,381

- (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 matures 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, 2004

8. Long-term borrowings:

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

2005	\$ 2,591,049
2006	2,743,145
2007	2,903,622
2008	3,073,591
2009 and thereafter	53,255,973
	<hr/>
	\$ 64,567,380

9. Employee future benefits:

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

The Corporation measures its accrued benefit obligation for accounting purposes as at December 31 each year. A valuation date of January 1, 2003 has been used, with the initial valuation period 12 months ended December 31, 2003. Extrapolations from the initial calculations are performed for subsequent fiscal periods. Management intends to obtain the next valuation in 2006.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

9. Employee future benefits (continued):

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

	2004	2003
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 11,552,011	\$ 11,108,564
Current service cost	272,518	257,091
Interest cost	706,382	681,268
Benefits paid	(575,494)	(494,912)
Benefit obligation, end of year	\$ 11,955,417	\$ 11,552,011
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	575,494	494,912
Benefits paid	(575,494)	(494,912)
Fair value of plan assets, end of year	\$ -	\$ -
Funded status:		
Funded status, surplus (deficit)	\$(11,955,417)	\$(11,552,011)
Amount recognized in the balance sheet:		
Accrued benefit liability	\$(11,955,417)	\$(11,552,011)
The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:		
Discount rate	6%	6%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	7.5%	7.5%
Ultimate	4.5%	4.5%
Year of ultimate level	2007	2007
Components of net periodic benefit cost:		
Current service cost	\$ 272,518	\$ 257,091
Interest cost	706,382	681,268
Net periodic benefit costs	\$ 978,900	\$ 938,359

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

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. In 2004, the contribution rate is 6% for employees earnings below the year's maximum pensionable earnings and 8.8% thereafter. Contributions paid during the year totalled \$354,543 (2003 - \$136,282).

11. Share capital:

	2004	2003
Authorized:		
Unlimited common shares		
Issued:		
11,000 common shares	\$ 61,447,581	\$ 62,547,581

During the year, the shareholder of the Corporation passed a resolution reducing the stated capital by \$1,100,000.

12. Electricity and distribution service charges:

	2004	2003
Customer billings for electricity and distribution		
service charges	\$ 218,773,830	\$ 221,281,193
Cost of electricity purchased	182,448,812	183,603,793
	\$ 36,325,018	\$ 37,677,400

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

13. Cash flow information:

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

	2004	2003
Decrease (increase) in current assets:		
Accounts receivable	\$ (3,431,315)	\$ 7,955,662
Accounts receivable – unbilled revenue	(1,271,378)	8,934,069
Due from related parties	(1,882,553)	(3,640,108)
Inventories	300,182	1,207,570
Prepaid expenses	(82,657)	142,113
	(6,367,721)	14,599,306
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	4,359,496	(5,008,141)
Due to related parties	1,100,000	(14,912,973)
	5,459,496	(19,921,114)
	\$ (908,225)	\$ (5,321,808)

Income taxes and interest paid during the year amounted to \$916,800 (2003 - \$987,456) and \$5,395,970 (2003 - \$4,993,634) respectively.

14. Payments in lieu of taxes:

As at December 31, 2004, the Corporation had non-capital loss carryforwards for income tax purposes of approximately \$12,484,000 (2003 - \$16,025,000) which expire in 2008, 2009 and 2011.

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, 2004 are as follows:

	2004	2003
Future tax liabilities:		
Regulatory assets	\$ 1,750,000	\$ 5,413,000
Investment in lease	3,266,000	3,569,000
Deferred debt issuance costs	183,000	207,000
Total future tax liabilities	\$ 5,199,000	\$ 9,189,000

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

14. Payments in lieu of taxes (continued):

	2004	2003
Future tax assets:		
Capital assets	\$ 16,252,000	\$ 16,642,000
Employee future benefits	4,318,000	4,173,000
Intangible assets	3,496,000	3,759,000
Loss carryforwards	4,504,000	5,788,000
Total future tax assets before valuation allowance	28,570,000	30,362,000
Valuation allowance for future tax assets	(23,371,000)	(21,173,000)
Total future tax assets	5,199,000	9,189,000
Net future tax assets and liabilities	\$ —	\$ —

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, 2004, the Corporation has not been made aware of any assessments.

Participation in MEARIE covers a three-year underwriting period, which expires January 1, 2007. Participation has been renewed in 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.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

17. Commitments:

The Corporation is committed to minimum annual lease payments under various operating leases as follows:

2005	\$	250,000
2006		250,000
2007		250,000
2008		250,000
2009 and thereafter		323,000
	\$	1,323,000

18. Fair value of financial instruments:

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

The fair value of the net investment in lease approximates its carrying value. Fair value has been calculated using the future cash flows (principal and interest) of the actual investment in lease, discounted at current market rates available to the Corporation for similar 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, 2004, 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.

ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2004

19. Other income from operations:

	2004	2003
Change in occupancy	\$ 117,403	\$ 121,622
Late payment and collection charges	951,622	901,710
Other operating revenues	318,179	256,922
Services provided to others, net	206,806	75,684
Pole rental	400,973	315,400
Sale of scrap	121,936	114,074
Finance income on lease	964,736	924,624
	<hr/>	<hr/>
	\$ 3,081,655	\$ 2,710,036

20. Comparative figures:

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