

Financial Statements of

**ENWIN POWERLINES LTD.**

Year ended December 31, 2006



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## **AUDITORS' REPORT**

To the Shareholder

We have audited the balance sheet of Enwin Powerlines Ltd. as at December 31, 2006 and the statements of retained earnings (deficit), earnings 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, 2006 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 signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

Windsor, Canada  
February 23, 2007

# ENWIN POWERLINES LTD.

Balance Sheet  
(In thousands of dollars)

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Accounts receivable	\$ 19,996	\$ 14,486
Accounts receivable - unbilled revenue	15,877	20,756
Due from related parties (note 3)	36	8,101
Inventories	2,037	2,124
Prepaid expenses	53	106
Current portion of net investment in lease	-	486
	37,999	46,059
Capital assets (note 4)	152,445	145,711
Net investment in lease (note 5)	-	8,557
Work in progress	175	465
Deferred debt issuance costs	1,012	1,191
Future payments of lieu of tax	6,773	-
	160,405	155,924
	\$ 198,404	\$ 201,983

	2006	2005
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Bank indebtedness (note 7)	\$ 7,047	\$ 12,918
Banker's acceptances (note 7)	22,726	22,740
Accounts payable and accrued liabilities	19,938	27,658
Due to related party (note 3)	2,000	2,200
Payments in lieu of income taxes	2,107	-
Deferred revenue	965	1,768
Current portion of long-term borrowings	2,903	2,743
Regulatory liabilities (note 6)	504	732
	<u>58,190</u>	<u>70,759</u>
Long-term liabilities:		
Customer deposits	513	813
Long-term borrowings (note 8)	56,330	59,233
Employee future benefits (note 9)	13,392	12,481
	<u>70,235</u>	<u>72,527</u>
Shareholder's equity:		
Common shares (note 11)	61,448	61,448
Contributed capital	516	516
Retained earnings (deficit)	8,015	(3,267)
	<u>69,979</u>	<u>58,697</u>
Contingencies and commitments (notes 14, 15 and 16)		
	<u>\$ 198,404</u>	<u>\$ 201,983</u>

See accompanying note to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# ENWIN POWERLINES LTD.

Statement of Retained Earnings (Deficit)  
(In thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Deficit, beginning of year	\$ (3,267)	\$ (4,684)
Net earnings for the year	13,282	2,517
Dividend declared	(2,000)	(1,100)
Retained earnings (deficit), end of year	\$ 8,015	\$ (3,267)

See accompanying note to financial statements.

# ENWIN POWERLINES LTD.

Statement of Earnings  
(In thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Electricity and distribution service charges:		
Customer billings for electricity and distribution service charges	\$ 224,755	\$ 253,405
Cost of electricity purchased	183,844	216,831
	40,911	36,574
Other income from operations (note 18)	2,789	2,945
	43,700	39,519
Operating expenses	22,291	21,855
Earnings before the undernoted items and taxes	21,409	17,664
Amortization of capital assets	9,417	9,266
Interest expense	5,757	5,571
Gain on disposal of capital assets	(138)	(66)
Settlement of regulatory assets (liabilities) (notes 2 and 6)	(2,511)	-
	12,525	14,771
Earnings before taxes	8,884	2,893
Payments in lieu of taxes:		
Current	2,375	376
Future	(6,773)	-
	(4,398)	376
Net earnings for the year	\$ 13,282	\$ 2,517

See accompanying notes to financial statements.

# ENWIN POWERLINES LTD.

Statement of Cash Flows  
(In thousand of dollars)

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings for the year	\$ 13,282	\$ 2,517
Add Items not affecting cash:		
Amortization of capital assets	9,417	9,266
Change in employee future benefits	911	525
Amortization of deferred debt issuance costs	179	179
Gain on sale of capital assets	(138)	(66)
Transfer of lease asset to capital assets	(8,847)	-
Decrease in net investment in lease on lease termination	8,847	-
Future payments in lieu of taxes	(6,773)	-
Change in work in progress	290	61
Change in customer deposits	(300)	(153)
Change in vested sick leave	-	(29)
Change in deferred revenue	(803)	1,768
Change in non-cash working capital (note 12)	(6,105)	821
	9,960	14,889
Financing:		
Decrease in bank indebtedness	(5,871)	(7,240)
Decrease in banker's acceptances	(14)	(2,315)
Increase (decrease) in regulatory liability	(228)	732
Repayment of long-term borrowings	(2,742)	(2,591)
Due to (from) related parties, net	7,865	(1,478)
Dividend declared	(2,000)	(1,100)
	(2,990)	(13,992)
Investments:		
Decrease in regulatory assets	-	4,856
Decrease in net investment in lease	196	440
Acquisition of capital assets	(7,314)	(6,267)
Net proceeds on sale of capital assets	148	74
	(6,970)	(897)
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  
(In thousands of dollars)

Year ended December 31, 2006

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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 guidelines 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 OEB 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 (liabilities) 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) 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). The nature of the settlement variances is such that their balance shall change each reporting period-end date.

### b) Inventories:

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

### c) Capital assets:

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

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 1. Significant accounting policies (continued):

### c) Capital assets (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
Computer software	5 years

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### (d) Work in progress:

Work in progress is recorded at cost with cost being determined based on material, purchased services, 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 over the life of the related debt.

### 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 and post retirement benefits such as life insurance, supplemental health and dental coverage for employees who retire from active employment.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 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.

The excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees which is eight years at December 31, 2006.

### 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.

In 2005, the OEB allowed local distribution companies that are members of the OMERS pension plan, to record cash pension costs as part of the "other regulatory asset" account. This treatment is only applicable to April 30, 2006. As of May 1, 2006, these costs must be expensed. In 2006, the amount recorded as regulatory asset was \$221 (2005 - \$625) and the amount included on the statement of earnings was \$457 (2005 - \$nil).

### 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) Deferred revenue:

Deferred revenue represents revenues collected though the Corporation's distribution rates, for conservation and demand management ("CDM") initiatives. Revenue is recognized as expenditures for this program are incurred throughout 2006 and up to September 30, 2007.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 1. Significant accounting policies (continued):

### 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 Corporation of the City of Windsor (the "City").

### 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.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 1. Significant accounting policies (continued):

### m) 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.

### n) 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. Significant items subject to such estimates and assumptions include the carrying value of capital assets and employee future benefits and valuation allowances for accounts receivable and inventories. Due to these uncertainties, actual results reported in future periods might differ from those estimates.

## 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)  
(In thousands of dollars)

Year ended December 31, 2006

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## 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 which 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") was 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 remained in place until April 1, 2005 when the OEB instituted a regulated price plan ("RPP").

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 2. Electricity industry restructuring and regulation (continued):

Under RPP the existing two-tier structure was continued, with a new two-tier pricing of 5.0 cents/kWh for the first tier and 5.8 cents/kWh for the balance of consumption per month. From April 1, 2005 to October 31, 2005 the threshold was 750 kWh/month. From November 1, 2005 for non-residential RPP customers the threshold continued to be 750 kWh/month, but for residential customers, the first tier began to vary seasonally. The threshold has been set at 1,000 kWh/month from November 1 to April 30 (winter), and 600 kWh/month from May 1 to October 31 (summer). Prices initially set by the OEB under RPP were to remain the same for at least one year and thereafter would be reviewed and adjusted, if necessary, every six months beginning May 2006.

### b) Recovery of regulatory assets (liabilities) 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 (liabilities)”, and are reflected in the balance sheet in anticipation of their future recovery in electricity distribution charges. Regulatory assets (liabilities) are stated after evaluation of amounts expected to be collected.

## 3. Related party transactions:

- a) Under a Management Services Agreement effective January 1, 2000, Enwin Utilities Ltd. provides certain finance, administration, cash collection, human resource, management and other support services to the Corporation. The total amount charged to the Corporation for the year ended December 31, 2006 was \$11,436 (2005 – \$13,030). As part of this agreement, the Corporation also receives fees from Enwin Utilities Ltd. for the use of its computer system. The total amount charged for the year ended December 31, 2006 was \$626 (2005 – \$1,878).
- b) The Corporation provides street lighting maintenance for the Corporation of the City of Windsor (the “City”). The total amount charged to the City for the year ended December 31, 2006 was \$535 (2005 – \$778).
- c) The amounts due from related parties consist of:

	2006	2005
Due from Enwin Utilities Ltd.	\$ 36	\$ 7,980
Due from Windsor Utilities Commission	–	121
	<u>\$ 36</u>	<u>\$ 8,101</u>

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

### 3. Related party transactions (continued):

These amounts have no specified repayment terms. The amount due from Enwin Utilities Ltd. earns interest at the Bank of Canada rate. The amount due from Windsor Utilities Commission was non-interest bearing.

Interest earned during the year from Enwin Utilities Ltd. amounted to \$172 (2005 –\$201).

d) The amount due to related party consists of:

	2006	2005
Due to Windsor Canada Utilities Ltd.	\$ 2,000	\$ 2,200

The amount due to Windsor Canada Utilities Ltd. is non-interest bearing and has no definite repayment terms.

### 4. Capital assets:

	2006		
	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ –	\$ 195
Building	71	3	68
Transformer station	30,169	3,974	26,195
Substation equipment	2,335	878	1,457
Distribution system - overhead	61,035	17,727	43,308
Distribution system - underground	60,516	19,825	40,691
Transformers	42,729	12,708	30,021
Meters	7,149	2,439	4,710
Tools and equipment	1,450	698	752
Trailers	38	10	28
Computer software	10	3	7
Assets in progress	5,013	–	5,013
	\$ 210,710	\$ 58,265	\$ 152,445

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 4. Capital assets (continued):

			2005
	Cost	Accumulated amortization	Net book value
Land	\$ 205	\$ —	\$ 205
Building	106	30	76
Transformer station	21,389	3,253	18,136
Substation equipment	2,247	798	1,449
Distribution system - overhead	58,346	14,837	43,509
Distribution system - underground	59,419	16,704	42,715
Transformers	40,862	10,606	30,256
Meters	6,781	2,089	4,692
Tools and equipment	1,374	560	814
Trailers	38	5	33
Computer software	10	1	9
Assets in progress	3,817	—	3,817
	<u>\$ 194,594</u>	<u>\$ 48,883</u>	<u>\$ 145,711</u>

## 5. Net investment in lease:

	2006	2005
Total minimum lease payments receivable:		
Current portion	\$ —	\$ 1,363
Long-term portion	—	13,398
	—	14,761
Unearned finance income, 6.45%	—	(5,718)
	—	9,043
Less current portion, net	—	486
	<u>\$ —</u>	<u>\$ 8,557</u>

The investment in lease was terminated in the current year to account for changes to the regulated rate structure. The net balance of the lease is now included in capital assets as part of the rate base. It has been classified as part of the transformer station balance.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 6. Regulatory assets (liabilities):

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

The Ontario Energy Board Amendment Act, ("Electricity Pricing"), 2003 ("Bill 4") allowed local distribution companies ("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.

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. In 2006, the Corporation received approval for recovery of its 2004 regulatory assets/liabilities. Balances in these accounts have been updated to reflect this settlement.

	2006	2005
Transition costs	\$ —	\$ 11,818
Post-market opening retail settlement variances (net of reserve \$444; 2005 - \$286)	(2,177)	(217)
Retail cost variances	179	795
Miscellaneous deferred debits	10	69
Extraordinary costs recoverable	—	1,168
Smart Meters	(166)	—
Other regulatory assets	1,178	1,135
	(976)	14,768
Less: Allowance	—	(7,168)
Recovery of regulatory assets	472	(8,332)
	\$ (504)	\$ (732)

## 7. Bank indebtedness and bankers' acceptances:

The Corporation has a long-term agreement with a Canadian chartered bank for an available line of credit in the amount of \$85,000. Interest charged on outstanding borrowings incurred by the Corporation is calculated at the bank's prime rate less .85% or bankers' acceptances plus 45 basis points.

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

At the year-end, the Corporation's drawings on this line amounted to \$29,549 (2005 – \$34,260). Not included in this amount are outstanding cheques amounting to \$224 (2005 - \$1,398).

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 8. Long-term borrowings:

	2006	2005
Debentures payable (i)	\$ 50,000	\$ 50,000
Promissory note payable to City of Windsor (ii)	9,233	11,976
	59,233	61,976
Less current portion due	2,903	2,743
Total long-term borrowings	\$ 56,330	\$ 59,233

- (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 from the participants. The Corporation's share of these debentures amounted to \$50,000. 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.

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

2007	\$ 2,903
2008	3,074
2009	3,256
2010	—
2011 and thereafter	50,000
	\$ 59,233

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 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 December 31, 2005 was used and extrapolated to December 31, 2006.

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

	2006	2005
Change in benefit obligations:		
Benefit obligation, beginning of year	\$ 12,481	\$ 11,955
Current service cost	414	289
Interest cost	789	735
Amortization of net actuarial loss	197	—
Benefits paid	(489)	(498)
<b>Benefit obligation, end of year</b>	<b>\$ 13,392</b>	<b>\$ 12,481</b>

	2006	2005
Funded status:		
Funded status, surplus (deficit)	\$ (16,335)	\$ (15,621)
Unamortized net actuarial loss	2,943	3,140
Amount recognized in the balance sheet:		
Accrued benefit liability	\$ (13,392)	\$ (12,481)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2006	2005
Discount rate	5%	5%
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	7%	8.0%
Ultimate	4%	4.0%
Year of ultimate level	2010	2010

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 9. Employee future benefits (continued):

	2006	2005
Components of net periodic benefit cost:		
Current service cost	\$ 414	\$ 289
Interest cost	789	735
Amortization of actuarial loss	197	–
<b>Net periodic benefit costs</b>	<b>\$ 1,400</b>	<b>\$ 1,024</b>

## 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. The contribution rates are 6.5% for employees earnings below the year's maximum pensionable earnings and 9.6% thereafter. During 2006, the Corporation contributed \$678 (2005 – \$625) to the fund.

## 11. Share capital:

	2006	2005
Authorized:		
Unlimited common shares		
Issued:		
11,000 common shares	\$ 61,448	\$ 61,448

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 12. Cash flow information:

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

	2006	2005
Decrease (increase) in current assets:		
Accounts receivable	\$ (5,510)	\$ 2,087
Accounts receivable – unbilled revenue	4,879	(4,377)
Inventories	87	(444)
Prepaid expenses	53	224
	(491)	(2,510)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(7,721)	3,331
Payments in lieu of income taxes	2,107	–
	(5,614)	3,331
	\$ (6,105)	\$ 821

Payments in lieu of taxes and interest paid during the year amounted to \$745 (2005 – \$836) and \$5,781 (2005 – \$5,472) respectively.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

## 13. Payments in lieu of taxes:

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, 2006 are as follows:

	2006	2005
Future tax liabilities:		
Investment in lease	\$ –	\$ 3,091
Deferred debt issuance costs	247	–
<b>Total future tax liabilities</b>	<b>\$ 247</b>	<b>\$ 3,091</b>
Future tax assets:		
Capital assets	\$ 12,026	\$ 18,400
Employee future benefits	912	612
Deferred debt issuance costs	–	132
Intangible assets	2,763	3,251
Loss carryforwards	–	998
Total future tax assets before valuation allowance	15,701	23,393
Valuation allowance for future tax assets	(8,681)	(20,302)
<b>Total future tax assets</b>	<b>7,020</b>	<b>3,091</b>
<b>Net future tax assets and liabilities</b>	<b>\$ 6,773</b>	<b>\$ –</b>

## 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, 2006, 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 2007. Notice to withdraw from MEARIE must be given six months prior the commencement of the next three-year underwriting term.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 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. Commitments:

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

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2007	\$	520
2008		508
2009		450
2010		354
2011 and thereafter		252
	\$	2,084

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## 17. Fair value of financial instruments:

The carrying values of accounts receivable, amounts due from and to 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 promissory note and debenture payable, approximates fair value based on market prices for similar debt.

# ENWIN POWERLINES LTD.

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2006

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## 17. Fair value of financial instruments (continued):

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2006, 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:

	2006	2005
Change in occupancy	\$ 184	\$ 115
Late payment and collection charges	1,023	1,033
Other operating revenues	274	237
Services provided to others, net	308	126
Pole rental	436	425
Sale of scrap	193	86
Finance income on lease (note 5)	371	923
	<u>\$ 2,789</u>	<u>\$ 2,945</u>

## 19. Subsequent event:

On January 1, 2007, the Corporation amalgamated its operations with one of its related parties, Enwin Utilities Ltd. and will operate as Enwin Utilities Ltd.

## 20. Comparative figures:

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