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July 10, 2009

**Delivered and Via E-mail**

Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319, 27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

**Attention: Kirsten Walli, Board Secretary**

Dear Ms. Walli:

**Re:       Application pursuant to subsection 86(2) of the *Ontario Energy Board Act*,  
          1998 (the “Application”)  
          Board File Number EB-2009-0156 – West Perth Power Inc.**

We acknowledge receipt of the letter dated June 12, 2009 from the Ontario Energy Board (the “Board”) which stated that further documentation would be required before the Board could continue to process the Application. We wish to address the requested documents in turn.

(i)       2008 audited financial statements for West Perth Power Inc. (“WPPI”)

The 2008 audited financial statements for WPPI have only recently been completed. They will be put before the WPPI Board and shareholder on or about July 27, 2009 for approval. However, in the interests of providing the Board with the information it requires on a timely basis, the Applicant is providing the Board with the 2008 financial statements as they now stand and will advise when WPPI Board and shareholder approval is obtained.

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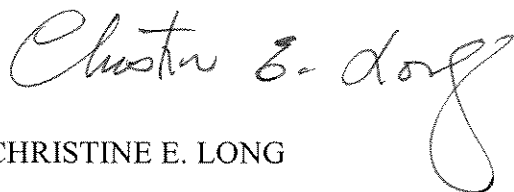
- (ii) Pro forma financial statements for the parties for the first full year following completion of the proposed transaction.

Pro forma financial statements were not included with the Application when filed due to the fact that the Applicant is not seeking leave from the Board for an amalgamation, but rather at this juncture is only seeking leave for the acquisition of the shares of WPPI. As a result of the nature of the proposed transaction, the Applicant is not expecting that the pro forma financial statements will show significant changes from recent financial statements. However, the Applicant will supply the pro forma financial statements pursuant to the Board's request. The Applicant has advised Board Staff that it is providing non-consolidated pro forma financial statements for EARTH Corporation.

We trust the above is satisfactory. Please contact the writer should you have any questions or concerns.

Yours very truly,

BORDEN LADNER GERVAIS LLP



CHRISTINE E. LONG

CEL/mc  
Encls.

cc: Mr. Tyler Moore, EARTH Corporation (via e-mail only)  
Mr. Wally Curry, West Perth Power Inc. (via e-mail only)  
Ms. Judith Fernandes, Ontario Energy Board (via e-mail only)

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**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** *the Ontario Energy Board Act*,  
1998; S.O. 1998, c.15, Sched B, as amended;

**AND IN THE MATTER OF** an application by ERTH  
Corporation under section 86 of the *Ontario Energy  
Board Act, 1998* seeking an order for leave to acquire  
shares of a distributor.

**ERTH Corporation and West Perth Power Inc.**

**EB-2009-0156**

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# **ERTH CORPORATION – WEST PERTH POWER INC.**

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Tab	2	Pro Forma Financial Statements West Perth Power Inc.
Tab	3	Non-Consolidated Pro Forma Financial Statement EARTH Corporation

**2008 FINANCIAL STATEMENTS**  
**(AUDITED BUT SUBJECT TO APPROVAL)**

**West Perth Power Inc.**

**Financial Statements**  
**For the year ended December 31, 2008**

Draft

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FOR DISCUSSION PURPOSES ONLY  
SUBJECT TO ADJUSTMENT

**West Perth Power Inc.**  
**Financial Statements**  
For the year ended December 31, 2008

**Contents**

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SUBJECT TO ADJUSTMENT

## West Perth Power Inc. Balance Sheet

December 31 2008 2007

### Assets

#### Current

Cash and bank	\$ 1,474,968	\$ 1,019,300
Investments (Note 1)	10,978	21,504
Accounts receivable	332,060	607,151
Inventory	5,620	5,992
Unbilled revenue	574,477	652,678
Prepaid expenses	13,167	19,591
	2,411,270	2,326,216

Capital assets (Note 2) 1,672,857 1,717,202

**\$ 4,084,127 \$ 4,043,418**

### Liabilities and Shareholder's Equity

#### Current

Accounts payable and accruals	\$ 843,460	\$ 877,095
Demand note payable (Note 5)	1,183,391	1,183,391
Customer deposits	67,227	81,634
	2,094,078	2,142,120

Regulatory liabilities (Note 3) 199,271 16,506

**2,293,349 2,158,626**

#### Shareholder's equity

Share capital (Note 6)	2,118,274	2,118,274
Deficit	(338,474)	(254,986)
Accumulated other comprehensive income (AOCI)	10,978	21,504
	1,790,778	1,884,792

**\$ 4,084,127 \$ 4,043,418**



**West Perth Power Inc.  
Statement of Equity**

<b>For the year ended December 31</b>	<b>Deficit</b>	<b>AOCI</b>	<b>2008</b>	<b>2007</b>
<b>Balance</b> , beginning of year	\$ (254,986) \$	21,504 \$	<b>(233,482)</b> \$	(270,956)
Change in accounting policy (Note 11)	-	-	-	19,038
	(254,986)	21,504	<b>(233,482)</b>	(251,918)
Net income (loss)	(40,988)	-	<b>(40,988)</b>	55,970
Other comprehensive (loss) income	-	(10,526)	<b>(10,526)</b>	2,466
Dividends	-	-	-	(40,000)
Related party transactions (Note 9)	(42,500)	-	<b>(42,500)</b>	-
<b>Balance</b> , end of year	\$ (338,474) \$	10,978 \$	<b>(327,496)</b> \$	(233,482)

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**West Perth Power Inc.**

**Statement of Income and Other Comprehensive Income**

<b>For the year ended December 31</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Distribution revenue	\$ 736,511	\$ 737,724
Interest	56,650	54,928
Rentals	15,385	12,898
Miscellaneous	50,049	72,052
	<u>858,595</u>	<u>877,602</u>
<b>Expenses</b>		
Amortization	171,972	195,751
Billing, data processing and collection	196,898	155,556
Bad debts	10,940	20,798
General administration	30,239	5,935
Operating and maintenance	403,530	357,588
	<u>813,579</u>	<u>735,628</u>
<b>Income before interest expense</b>	45,016	141,974
<b>Interest expense</b>	86,004	86,004
<b>Net (loss) income for the year</b>	(40,988)	55,970
<b>Other comprehensive (loss) income</b>		
Change in unrealized (loss) gain on investments classified as available for sale	<u>(10,526)</u>	<u>2,466</u>
<b>Comprehensive income</b>	<u>\$ (51,514)</u>	<u>\$ 58,436</u>

## West Perth Power Inc. Statement of Cash Flows

For the year ended December 31	2008	2007
<b>Cash flows from operating activities</b>		
Net (loss) income for the year	\$ (40,988)	\$ 55,970
Adjustments for:		
Amortization	171,972	195,751
	<b>130,984</b>	<b>251,721</b>
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	275,091	(134,219)
Inventory	372	907
Unbilled revenue	78,201	(101,863)
Prepaid expenses	6,424	(9,210)
Accounts payable and accruals	(33,635)	156,252
Customer deposits	(14,407)	15,713
	<b>443,030</b>	<b>179,301</b>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(127,627)	(118,966)
Decrease (increase) in regulatory assets/liabilities	182,765	372,581
	<b>55,138</b>	<b>253,615</b>
<b>Cash flows from financing activities</b>		
Transfer to related party	(42,500)	-
Dividends	-	(40,000)
	<b>455,668</b>	<b>392,916</b>
<b>Increase in cash and cash equivalents for the year</b>	<b>455,668</b>	<b>392,916</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,019,300</b>	<b>626,384</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,474,968</b>	<b>\$ 1,019,300</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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## West Perth Power Inc.

### Summary of Significant Accounting Policies

December 31, 2008

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#### Nature of Business

West Perth Power Inc. was incorporated under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act 1998 on January 21, 2000, and is wholly owned by the Corporation of the Municipality of West Perth. The principal businesses of West Perth Power Inc. are the transmission and distribution of electricity to customers within Ontario. These businesses are regulated by the Ontario Energy Board (OEB).

#### Rate Setting

The rates of the Company's electricity transmission and distribution businesses are subject to regulation by the OEB. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. Specific regulatory assets and liabilities are disclosed in Note 3.

The company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

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## West Perth Power Inc.

### Summary of Significant Accounting Policies

December 31, 2008

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#### Inventory

Effective January 1, 2008, the company adopted CICA Handbook Section 3031 - Inventories, which is based on the International Accounting Standards Board's International Accounting Standard 2 and replaced existing CICA Handbook Section 3030. Under this new standard, inventories are required to be measured at the lower of cost and net realizable value. Any items considered to be major future components of property, plant and equipment are to be transferred to property, plant and equipment. The new standard also provides updated guidance on the appropriate methods of determining cost and the impact of any write-downs of net realizable value. The implementation of this standard resulted in transferring certain inventory items such as poles and wire into property, plant and equipment. The implementation of this standard did not have any impact on the company's statement of income.

Inventory is valued at the lower of cost and net realizable value. Cost is based upon the FIFO basis.

#### Investments

Investments are recorded at fair value.

#### Capital Assets

Capital assets are recorded in the accounts on a fully allocated cost basis and are amortized on the straight-line basis at varying rates estimated to write off the cost of each asset over its useful life. The rates are as follows:

##### Life in Estimated Years

Transmission - underground	25
Distribution lines - overhead	25
Distribution lines - underground	25
Transformers	25
Meters	25
Miscellaneous assets	10
Computer equipment	5

Amounts received in aid of construction are deducted from the cost of the related capital assets. The Corporation retains ownership of the related assets.

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## **West Perth Power Inc.**

### **Summary of Significant Accounting Policies**

**December 31, 2008**

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#### **Revenue Recognition**

Transmission revenues are collected through OEB approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as power is transmitted and delivered to customers. Distribution revenues attributable to the delivery of electricity are based on OEB approved distribution tariff rates and are recognized as electricity is delivered to customers.

Billings from the last meter reading date are adjusted based on a number of historical factors to reflect estimated usage to the year-end date. These estimates are reflected on the statement of financial position as unbilled revenue. Unbilled revenue is the amount of electricity that has been used by customers, but not billed, by the end of the year.

Distribution revenue also includes an amount relating to rate protection for rural residential and remote customers, which is received from the Independent Electricity System Operator (IESO) based on a standardized customer rate that is approved by the OEB. The current legislation provides rate protection for prescribed classes of rural residential and remote customers by reducing the electricity rates that would otherwise apply.

#### **Corporate Income Taxes**

Accounting for payments in lieu of corporate income taxes is on a taxes payable basis as disclosed in Note 4.

#### **Power Purchases**

The power bill received from the Independent Electricity System Operator is recorded in the period to which it refers and not in the period in which it is received.

#### **Financial Instruments**

The company's financial instruments include cash, accounts receivable, unbilled revenue, accounts payable and accruals, demand note payable and customer deposits. Due to their nature or capacity for prompt liquidation, the fair values of these financial instruments approximate their carrying value. It is management's opinion that the company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Disclosure related to other financial instruments is found in note 1 - Investments.

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## West Perth Power Inc.

### Summary of Significant Accounting Policies

December 31, 2008

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#### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the company, are as follows:

##### International financial reporting standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the company's financial statements has yet to be determined.

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## West Perth Power Inc. Notes to Financial Statements

December 31, 2008

### 1. Investments

	2008	2007
Marketable Securities	\$ 10,978	\$ 21,504
Fair value	\$ 10,978	\$ 21,504

Investments in marketable securities are comprised of common share holdings in Sun Life Financial Inc. Investments have been classified as available for sale and are recorded at fair value as it is not management's primary objective to generate trading profits from short-term fluctuations in price. Fair values are determined by reference to published price quotations in an active market at year-end.

### 2. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,745	\$ -	\$ 3,745	\$ -
Distribution system	4,208,163	2,583,829	4,087,453	2,416,408
Equipment and leasehold improvements	261,927	217,149	255,010	212,598
	\$ 4,473,835	\$ 2,800,978	\$ 4,346,208	\$ 2,629,006
Net book value		\$ 1,672,857		\$ 1,717,202



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## West Perth Power Inc. Notes to Financial Statements

December 31, 2008

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### 3. Regulatory Liabilities

Regulatory assets and liabilities arise as a result of the rate-setting process. West Perth Power Inc. has recorded the following assets and liabilities.

	2008	2007
Retail settlement variance accounts	\$ (446,191)	\$ (208,172)
Asset recovered through rates	(16,488)	43,761
Other	263,408	147,905
	<u>\$ (199,271)</u>	<u>\$ (16,506)</u>

Retail settlement variance accounts are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power and retail settlement costs in the rate year are held until the following year, when their final disposition is decided. West Perth Power Inc. recognizes retail settlement variances as a regulatory asset, based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. In the absence of rate regulation, Canadian generally accepted accounting principles would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for 2008 would have been \$182,765 higher (2007 - \$372,581 higher).

For the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. For example, West Perth Power Inc.'s treatment of retail settlement variance accounts is dependent on the continued use of an automatic adjustment mechanism for regulatory purposes, and would require reconsideration if the regulator decided to discontinue the use of this mechanism or require the Company to absorb cost variances in a particular year.

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**West Perth Power Inc.**  
**Notes to Financial Statements**

**December 31, 2008**

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**4. Corporate Income and Capital Taxes**

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Under the *Electricity Act 1998*, West Perth Power Inc. is required to make payments in lieu of corporate taxes to the 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 *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) as modified by the *Electricity Act 1998* and related regulations.

The company follows the asset/liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. As well, future income tax assets that are likely to be realized and future income tax liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities.

Future tax amounts are measured at enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

The company has losses carried forward for tax purposes of \$102,159, which will expire in 2015.

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**5. Demand Note Payable**

The Corporation issued a promissory note to its sole shareholder the Corporation of Municipality of West Perth on January 1, 2002 in the amount of \$1,183,391. This note bears an interest rate of 7.25% and is payable on demand.

Interest paid on the note during the year amounted to \$86,004 (2007 - \$86,004).

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**6. Share Capital**

**Authorized**

Unlimited number of common shares

**Issued**

	2008	2007
550 Common shares	\$ 2,118,274	\$ 2,118,274

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**West Perth Power Inc.  
Notes to Financial Statements**

**December 31, 2008**

**7. Reciprocal Insurance Exchange**

West Perth Power Inc. is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). The exchange is a separate entity managed directly by the Electricity Distributors Association (EDA).

The members' share in both the payment of claims and the operational costs associated with the exchange. The maximum limit of liability of the Exchange will be twenty million dollars per incident and is not to exceed 1/2 of 1% of the total annual revenue of the members.

**8. Commitment - Prudential Support**

As a purchaser of electricity through the Independent Electricity Market Operator (IMO), West Perth Power Inc. is required to provide security to minimize the risk of default, based on its expected activity in the market. The IMO may draw on this security if the Corporation fails to make a payment required by a default notice issued by the IMO. In October 2006, to satisfy this requirement, the Corporation provided the IMO with a letter of credit in the amount of \$382,227. This prudential support continued to be held by the IMO at December 31, 2008.

**9. Related Party Transactions**

West Perth Power Inc. is related to the following entities:

-Municipality of the Corporation of West Perth who owns all the outstanding common shares of West Perth Power Inc.

The company, through the regular course of its operations, supplies power to its parent the Corporation of the Municipality of West Perth at the company's standard rates.

At the end of the year, the amounts due to related parties are as follows:

	<u>2008</u>	<u>2007</u>
Corporation of the Municipality of West Perth	<b>\$ 1,532,095</b>	<b>\$ 1,429,926</b>

These balances are interest free and payable on demand, except for the amount disclosed in note 5, which is included in these balances.

During the year, the Corporation of the Municipality of West Perth transferred two vehicles to West Perth Power Inc. for consideration of \$42,500. This transfer was not in the normal course of business. Accordingly, the transaction was recorded at the vehicles' carrying value of \$nil with a reduction in retained earnings made in the amount of \$42,500 for the difference.

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**West Perth Power Inc.**  
**Notes to Financial Statements**

**December 31, 2008**

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**10. Commitments**

West Perth Power Inc. has entered into contractual agreements for the provision of billing and management services. These commitments are as follows:

**Billing services**

2009	\$	88,354
2010		88,354
2011		88,354
		<hr/>
	\$	265,062
		<hr/>

The above amounts can be adjusted to reflect additional billing services provided to West Perth Power Inc. and a reasonable annual increase.

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**11. Change in Accounting Policy**

In April 2005, the Accounting Standards Board issued new Handbook standards on financial instruments, Section 3855 and Section 3861. Section 3855 Financial Instruments - Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments - Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements. The company adopted both of the standards for the fiscal year ended December 31, 2007. As a result of adopting these new standards, the company recorded a non-cash credit of \$19,038 to accumulated other comprehensive income for the change in accounting for financial assets classified as available for sale and measured at fair value rather than cost at the commencement of the 2007 fiscal year.

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**12. Pension Agreements**

West Perth Power Inc. contributes to the Ontario Municipal Employees Retirement System (O.M.E.R.S.) which is a multi-employer plan, on behalf of 6 members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay.

The contribution for current services for the year ended December 31, 2008 was \$21,972 (2007 - \$17,970). This amount is included as an expenditure on the statement of operations.

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## West Perth Power Inc. Notes to Financial Statements

December 31, 2008

### 13. Capital Disclosures

The company's main objectives when managing capital are to:

- a) Ensure ongoing access to funding to maintain and improve the electricity distribution system of West Perth Power Inc. and to meet capital needs as they arise; and
- b) Ensure compliance with covenants related to its credit facilities.

As at December 31, 2008, the company's definition of capital includes shareholders' equity \$1,790,778 (2007 - \$1,884,792) and the demand note payable \$1,183,391 (2007 - \$1,183,391). There have been no changes in the company's approach to capital management during the year.

The company's covenants require the current ratio to be greater than 0.8:1 and the debt to equity ratio to be less than 0.5:1. At December 31, 2008, the company is in compliance with these covenants.

### 14. Contingent Liabilities

An action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks \$500 million in restitution for amount paid to Toronto Hydro and to other Ontario local distribution companies ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution. The Electricity Distributors Association is undertaking the defence of this class action.

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by the Enbridge Gas, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of damages payable by Enbridge.

After the release by the Supreme Court of Canada of its 2004 decision in the Enbridge Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDCs' situation may be distinguishable from that of Enbridge Gas.

At this time, it is not possible to quantify the effect, if any, on the financial statements of the company.

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FOR DISCUSSION PURPOSES ONLY  
SUBJECT TO ADJUSTMENT

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**West Perth Power Inc.  
Notes to Financial Statements**

**December 31, 2008**

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**15. Merger with ERTH Corporation**

On March 6, 2008, the Municipality of West Perth ("West Perth") signed a term sheet with ERTH Corporation ("Erie Thames"). This term sheet proposes that Erie Thames would acquire all of the issued and outstanding shares of West Perth Power Inc. from West Perth in exchange for shares of Erie Thames.

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**16. Comparative Information**

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

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**PRO FORMA FINANCIAL STATEMENTS**

**WEST PERTH POWER INC.**

**WEST PERTH POWER  
PROJECTED BALANCE SHEET  
AS AT JUNE 30, 2010**

**ASSETS**

**Current**

Bank	\$924,577
Investments	21,504
Accounts Receivable	607,151
Inventory	45,670
Unbilled Revenue	652,678
Prepaid Expenses	19,591
	<u>2,271,171</u>

**Capital Assets**

1,976,506

**\$4,247,677**

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current**

Accounts Payable and Accrued Liabilities	\$877,094
Demand Note Payable	1,183,391
Current Portion of Customer Deposits	18,089
	<u>2,078,574</u>

**Long-term Debt**

Customer Deposits	63,545
Regulatory Liability	16,506
	<u>80,051</u>

**Shareholder's Equity**

Share Capital	2,118,274
AOCI	21,504
Retained Earnings	(50,726)
	<u>2,089,052</u>

2,089,052

**\$4,247,677**



**WEST PERTH POWER**  
**PROJECTED STATEMENT OF INCOME**  
**JULY 1, 2009 TO JUNE 30, 2010**

<b>Distribution Revenue</b>	\$1,003,525
<b>Miscellaneous Revenues</b>	<u>82,253</u>
<b>Total Revenues from Operations</b>	1,085,778
<b>Expenses</b>	
Amortization	273,032
Billing, Data Processing and Collecting	243,532
General Administration	31,132
Operating and Maintenance	<u>329,714</u>
	877,410
<b>Net Income before Interest</b>	208,368
Interest Expense	112,421
<b>Net Income from Operations before Taxes</b>	95,947
PILS	<u>0</u>
<b>Net Income (Loss)</b>	<u>95,947</u>

**NON-CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS**

**ERTH CORPORATION**

**ERTH CORPORATION**  
**PRO FORMA NON-CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2010**

**ASSETS**

**Current Assets**

Bank	\$ 680,000
Accounts receivable	850,000
Prepaid expenses	305,000
Due from related parties	805,000
Future payment in lieu of income tax asset	34,000
	<u>2,674,000</u>
Investments	18,701,000
Property, Plant and Equipment	3,793,000
Goodwill	77,000
Organizational Costs	174,000
	<u>\$ 25,419,000</u>
	<u><u>25,419,000</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 773,000
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**Long-term Debt**

Related party note payable	598,000
Bank loan	11,274,000
	<u>11,872,000</u>

**Shareholders' Equity**

Share capital	10,736,000
Retained earnings	2,038,000
	<u>12,774,000</u>
	<u>\$ 25,419,000</u>
	<u><u>25,419,000</u></u>

**ERTH CORPORATION**  
**PRO FORMA NON-CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED June 30, 2010**

<b>Revenue</b>	\$ 2,056,000
<b>Expenses</b>	
Advertising and promotion	68,000
Direct operation	721,000
Office and administration	343,000
Professional fees	245,000
	<u>1,377,000</u>
Net Income (Loss) from Operations Before Amortization and Interest	679,000
Amortization	240,000
Interest	393,000
	<u>633,000</u>
<b>Net Income</b>	<b>\$ 46,000</b>