



WELLAND HYDRO-ELECTRIC SYSTEM CORP.

P.O. Box 280 950 East Main Street, Welland, Ontario L3B 5P6 Telephone 905-732-1381 Fax 905-732-0123

October 1, 2007

Delivered by Courier and E-file

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Welland Hydro-Electric System Corp.
Application to Amend 2007 Distribution Rates
(Recovery of 2007 PILs Expense)
Board File No. EB-2007-0663

In accordance with Procedural Order No.1, please find enclosed copies (2) of responses to interrogatories filed by Ontario Energy Board technical staff and the School Energy Coalition. Documents included are as follows:

2005 Financial Statements
2005 Tax Returns
2005 Notice of Assessment
2006 Financial Statements
2006 Tax Returns
2006 Notice of Assessment
2006 PILs Comparison
2006 Return on Equity

An electronic copy (Welland_Responses EB-2007-0663_20071004) containing all documents has been filed using the OEB's E-filing services.

Yours very truly,

Wayne Armstrong
Director of Finance
905-732-1381 Ext 234

cc: School Energy Coalition

Welland Hydro-Electric System Corp.

2005 Financial Statements

Financial Statements of

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

December 31, 2005



Deloitte & Touche LLP
4210 King Street East
Kitchener ON N2P 2G5
Canada

Tel: (519) 650-7600
Fax: (519) 650-7601
www.deloitte.ca

Auditors' Report

To the Board of Directors of
Welland Hydro-Electric System Corp.

We have audited the balance sheet of Welland Hydro-Electric System Corp. (the Company) as at December 31, 2005 and the statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 2005 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 cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants

April 19, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Earnings and Retained Earnings	1
Balance Sheet	2
Statement of Cash Flows	3
Notes to the Financial Statements	4-16

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Statement of Earnings and Retained Earnings**

Year ended December 31, 2005

	2005	2004
SERVICE REVENUE		
Residential	\$ 9,145,841	\$ 7,731,566
General	19,188,086	17,032,845
Large user	10,121,141	8,066,421
	38,455,068	32,830,832
Distribution revenue	5,226,331	5,217,263
	43,681,399	38,048,095
COST OF POWER	38,455,068	32,830,832
GROSS MARGIN ON SERVICE REVENUE	5,226,331	5,217,263
OTHER OPERATING REVENUE	612,457	848,624
NET OPERATING REVENUE	5,838,788	6,065,887
ADMINISTRATIVE EXPENSE		
Operating and maintenance	1,682,556	1,731,112
Billing and collection	872,500	1,164,667
General administration	1,050,666	1,402,103
AMORTIZATION	1,493,388	1,431,789
TOTAL EXPENSES	5,099,110	5,729,671
EARNINGS BEFORE FINANCIAL EXPENSE	739,678	336,216
FINANCIAL EXPENSE		
Interest expense	687,843	29,525
EARNINGS BEFORE PAYMENTS IN LIEU OF TAXES	51,835	306,691
Payments in lieu of taxes	-	-
NET EARNINGS FOR THE YEAR	51,835	306,691
RETAINED EARNINGS, BEGINNING OF YEAR	543,468	239,277
DIVIDENDS	(100,000)	(2,500)
RETAINED EARNINGS, END OF YEAR	\$ 495,303	\$ 543,468

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Balance Sheet****December 31, 2005**

	2005	2004
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 9,370,760	\$ 7,279,328
Investments	35,188	35,188
Accounts receivable (Note 4)	1,474,254	1,920,668
Accounts receivable - unbilled revenue	5,216,400	4,132,323
Taxes receivable	76,343	42,200
Inventories	545,861	521,937
Prepaid expenses	10,611	88,471
	16,729,417	14,020,115
DUE FROM RELATED PARTIES (Note 10)	172,337	37,530
PROPERTY, PLANT AND EQUIPMENT (Note 5)	18,957,811	18,703,497
RETAIL SETTLEMENT VARIANCES (Note 6)	498,165	1,197,730
NON-RETAIL SETTLEMENT VARIANCES (Note 6)	598,589	443,132
OTHER DEFERRED ASSETS	63,426	-
	\$ 37,019,745	\$ 34,402,004
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 6,645,893	\$ 4,153,612
Customer deposits - current portion	517,034	820,522
Current portion - liability for employee future benefits (Note 12)	67,900	78,114
Current portion - note payable (Note 11)	87,500	-
Conservation demand management (Note 7)	331,930	-
Other current liabilities	37,575	52,566
	7,687,832	5,104,814
LONG-TERM DEBT		
Note payable (Note 11)	13,412,453	13,499,953
OTHER LONG-TERM LIABILITIES		
Employee future benefits (Note 12)	1,374,181	1,317,384
Other liabilities and deferred credits	-	52,529
Customer deposits - long-term portion	466,638	300,518
	1,840,819	1,670,431
	22,941,104	20,275,198
CONTINGENCIES (Note 15)		
SHAREHOLDER'S EQUITY		
Share capital (Note 14)	12,953,180	12,953,180
Contributed capital	630,158	630,158
Retained earnings	495,303	543,468
	14,078,641	14,126,806
	\$ 37,019,745	\$ 34,402,004

APPROVED BY THE BOARD

..... Director

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Statement of Cash Flows**

Year Ended December 31, 2005

	2005	2004
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net earnings	\$ 51,835	\$ 306,691
Items not requiring a cash outlay		
Amortization	1,493,388	1,431,789
Gain on disposal of property, plant and equipment	(8,461)	(8,599)
Change in employee benefits future - long-term	56,797	40,237
	1,593,559	1,770,118
Changes in non-cash operating working capital items (Note 13)	1,877,648	(343,354)
Net change in retail settlement variances	699,565	567,483
Net change in non-retail settlement variances	(155,457)	(109,761)
	4,015,315	1,884,486
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,775,257)	(1,578,787)
Net proceeds on disposal of property, plant and equipment	36,016	14,073
Change in due from related parties	(134,807)	10,616
	(1,874,048)	(1,554,098)
FINANCING ACTIVITIES		
Dividends paid	(100,000)	(2,500)
Other liabilities and deferred credits	(115,955)	(19,983)
Change in customer deposits - long-term	166,120	(443,182)
	(49,835)	(465,665)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,091,432	(135,277)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,279,328	7,414,605
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,370,760	\$ 7,279,328
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	\$ 711,841	\$ 29,600
Payment in lieu of income taxes	\$ 31,327	\$ 32,155

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

1. NATURE OF OPERATIONS

Welland Hydro-Electric System Corp. (the Company), is a wholly-owned subsidiary of Welland Hydro-Electric Holding Corp., and was incorporated July 1, 2000 under the *Business Corporations Act (Ontario)*.

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and business in the City of Welland. The corporation 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, and for ensuring that distribution companies fulfill their obligations to connect and service customers.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998. Significant accounting policies are summarized below:

Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment:

Regulatory assets

Regulatory assets result from the provincially approved rate of the Ontario Electricity Board and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year-end relate primarily to retail settlement variance accounts and pre-market opening cost of power variances. These assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator.

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 Ontario Energy Board (OEB).

The OEB Amendment Act, (Electricity Pricing) 2003 (Bill 4) allowed Load Distribution Companies ("LDC's") 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. The regulatory assets to be recovered are classified as Retail Settlement Variance Accounts ("RSVA") or Non - RSVA, with the RSVA accounts to be recovered first. RSVA accounts are described as Wholesale Market Service Charges, One-time Wholesale Market service, Retail Transmission Network Charges and Retail Transmission Connection Charges. Non - RSVA accounts include: Miscellaneous Deferred amounts (including rebate cheques costs), Deferred Payments in lieu of Taxes, Qualifying Transition costs and Pre-Market Opening Energy Variances.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The 2006 rate setting process allows for the recovery of regulatory assets in existence at December 31, 2004 over a two year period beginning with the rate change on May 1, 2006. The OEB currently regulates distribution rates based upon cost-of-service methodology. For 2005, a rate of return of 6.59%, plus a deemed debt rate of 4.83% was used in determining rates. For 2006, a rate return of 9%, plus a deemed debt rate of 6.25% has been submitted as part of the rate determination process.

Power variances, other variances related to the expenses associated with the Consumer Rebate Program mandated by Bill 210 and the transmission network charges, have been recorded as regulatory assets. The Company continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates was no longer considered probable, the amounts would be charged to the results of operations in the period the assessment was made. If a future recovery decision was made by the OEB or the Minister of Energy to approve a recovery of the regulatory assets, the corporation would recognize the recovery in the results of operations in the period such a decision is made.

Contributions in aid of construction

Subdivision developers as part of their contract with the corporation can request that an economic evaluation be performed based on the number of services connected in their project. The economic evaluation guidelines were created by OEB and software developed to calculate the net present value of expected revenue net of expected maintenance costs for the next 25 years. This calculation is used to determine the value of the asset to be assumed by the corporation and is reviewed over the first five years. Any assets assumed by the corporation will be treated as post 1999 contributed capital. As at December 31, 2005 the value of such contributed capital was \$442,034 (2004 - \$267,013) which has been recorded as a reduction in property, plant and equipment.

Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

Payment in lieu of income taxes

Under the *Electricity Act, 1998*, the Company is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation, for the period commencing October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act (Canada)* and the *Corporation Tax Act (Ontario)* and modified by the *Electricity Act, 1998*, and related regulations.

The Company, regulated by the Ontario Energy Board, provides for payments-in-lieu of corporate income taxes using the taxes payable method instead of the liability method.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
Notes to the Financial Statements
December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Payment in lieu of income taxes (continued)

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Future income taxes are expected to be reflected in future rates and, accordingly, are not recognized in the financial information. When future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from customers of the Corporation at that time.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

Investments

Investments are recorded at cost.

Inventories

Inventories consist primarily of construction and maintenance materials and are stated at the lower of cost and net realizable value, with cost being determined using the weighted average method.

Spare meters and transformers

As prescribed by the OEB Accounting Procedures Manual, spare transformers and meters with a carrying amount of \$463,192 (2004 - \$333,592) were included in capital assets as at December 31, 2005.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated on a straight-line basis over the useful service life as follows:

Land and land rights	50 years or effective life
Buildings	50 years
Distribution stations	30 years
Poles and overhead/underground lines	25 years
Distribution	
Transformers	25 years
Distribution meters	25 years
Equipment	4-30 years

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development, or through normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits include interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability. Deposits earn interest at a rate of the Bank of Canada Prime Business rate less two percent updated quarterly and accrued monthly.

Post employment benefits other than pension

The Company provides its current and applicable retired employees to age 65 with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

Use of estimates

Management is required to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported net of an appropriate allowance for unrecoverable amounts. Inventory is recorded net of provision for obsolescence. Certain estimates are also required as regulations, which ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits and within the framework of the accounting policies.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter read in the year to December 31st.

3. BANK INDEBTEDNESS

The Company has an authorized line of credit of \$2,000,000, bearing interest at prime, of which there is no balance outstanding at December 31, 2005. The line is secured by a general security agreement representing a first floating charge over all assets whether obtained now or in the future.

The Company has a credit card facility of \$45,000, of which there is no balance outstanding at December 31, 2005.

4. ACCOUNTS RECEIVABLE

	2005	2004
Electrical energy	\$ 2,066,504	\$ 2,345,267
Other	70,623	248,272
	2,137,127	2,593,539
Less allowance for doubtful accounts	662,873	672,871
	\$ 1,474,254	\$ 1,920,668

The allowance for doubtful accounts pertains primarily to one customer that filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on January 24, 2004. As of December 31, 2005 the receivable from this customer (\$565,140) was fully reserved. Subsequent to December 31, 2005 this customer has exited from CCAA protection and a settlement was received in April 2006. This settlement includes a cash payment of \$200,140 along with 1601 common shares and 2064 warrants for common shares. These amounts will be reflected in 2006 transactions.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Notes to the Financial Statements**

December 31, 2005

5. PROPERTY, PLANT AND EQUIPMENT

	2005			2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and land rights	\$ 223,892	\$ 56,205	\$ 167,687	\$ 165,504
Buildings	1,696,601	733,171	963,430	831,288
Distribution stations	3,737,923	1,809,087	1,928,836	2,037,279
Poles and lines	22,323,122	10,484,678	11,838,444	11,457,934
Distribution				
Transformers	4,654,666	2,022,640	2,632,026	2,553,991
Distribution meters	2,204,734	1,172,876	1,031,858	1,071,080
Equipment	3,176,498	2,780,968	395,530	586,421
	<u>\$ 38,017,436</u>	<u>\$ 19,059,625</u>	<u>\$ 18,957,811</u>	<u>\$18,703,497</u>

6. REGULATORY ASSETS

The regulatory assets, as follow, arose as a result of the rate-setting process:

	2005	2004
Retail settlement variances	\$ 1,836,577	\$ 1,666,990
Less: Recoveries	(1,338,412)	(469,260)
	<u>\$ 498,165</u>	<u>\$ 1,197,730</u>

RSVA's are established to record the differences between the amount owed to the Independent Market Operator ("IMO") Host Distributor and the amount billed to customers and retailers. These differences are further identified by source (Wholesale Market Service charges & One-Time Service costs, Retail Transmission Network & Connection Charges). Power Purchase Variance Account will be used to record the difference between the energy charge billed to a distributor's Standard Supply Service customers using a Board-approved fixed reference price and the cost of power billed to the distributor by the Independent Electricity Market Operator. Included in the balances above is \$338,519 of interest.

The non-retail settlement variances are as follows:

	2005	2004
Qualifying transition costs	\$ 503,866	\$ 471,811
Premarket opening electricity variances	1,109,454	1,039,147
Deferred payments in lieu of taxes	(63,426)	52,529
Other regulatory assets	209,985	40,935
	<u>1,759,879</u>	<u>1,604,422</u>
Less: Provision	<u>(1,161,290)</u>	<u>(1,161,290)</u>
	<u>\$ 598,589</u>	<u>\$ 443,132</u>

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

6. REGULATORY ASSETS (continued)

The OEB generally views transition costs as those costs associated with modifying an LDC's structure and operations to prepare the LDC for new activities associated with an open electricity marketplace. These costs should be primarily one-time in nature. Transition costs are not intended to include new, ongoing costs which are associated with normal operations in the open market. The Ontario Energy Board recognized that an over/under collection from customers may occur since utilities are billed for cost of power on the basis of time-of-use (TOU) but non-TOU customers of the utilities are charged on an average rate. Starting on January 1, 2001 and ending at market opening, May 1, 2002. The OEB authorized the use of the premarket opening electricity variances account to record these differences. Included in the balances above is \$181,593 of interest of which \$102,362 was capitalized in 2005.

The introduction of Bill 210 in November 2002 has deferred future rate increases until 2006. However Bill 4 was introduced in December 2003 which allows for the application to the OEB for possible recovery of these costs. While it is management's intention to pursue future rate increases based on all of these costs and the related interest, an allowance of \$1,161,290 (2004 - \$1,161,290) has been provided for costs which may be disallowed for OEB purposes.

Management expects that regulatory assets attained during 2005 will also be recovered through future rate increases. If in a future decision, the regulator determines that the existing regulatory treatment is not longer applicable, the regulatory assets would be charged to operations.

In the absence of rate regulation, GAAP would require that the actual purchased power costs (including any variances arising from electricity commodity, retail transmission and wholesale market costs), as well as transition costs, be recognized as an expense when incurred.

In the absence of rate regulations, power cost for 2005 would have been higher by \$544,426 (2004-lower by \$298,545) and interest income would have been lower by \$172,593 (2004-lower by 223,512). The net effect, in the absence of rate regulation, is a pre-tax decline in net income of \$717,019 for 2005 (2004-pre-tax increase in net income of \$75,033).

7. CONSERVATION DEMAND MANAGEMENT

The Ontario Minister of Energy has mandated a new design for the energy sector, where reliable and affordable delivery of power is provided in a way that does not threaten the environment. The government through the OEB has developed a method of promoting both demand side management (sustained reductions in energy use) and demand response (short-term reduction in peak energy demand).

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

7. CONSERVATION DEMAND MANAGEMENT (continued)

The Ontario Government beginning March 1, 2005 permits Distributors to apply to the OEB for an investment in conservation demand management. Once accepted the investment is to be funded from one year of the third phase of Electricity Distribution Market Base Rate ("MBRR"). An investment of \$694,000 in Conservation Demand management plan has been filed by Welland Hydro and approved by the OEB. It is anticipated that the collection of funds from customer's distribution rates will be completed by February 28, 2006. Approved projects must be completed by September 30, 2007 to receive funding.

During the year the Company collected \$515,759 from customers for Conservation Demand Management and made expenditures of \$188,211. Included in the balance is \$4,382 of credit interest. The net balance of revenue over expenditures totals \$327,548 (2004 - \$Nil).

In the absence of rate regulation, service revenue for the year would have been higher by \$331,930.

8. ONTARIO PRICE CREDIT REBATE

During the year the Company received \$1,936,426 from the IESO in regards to the Ontario Price Credit Rebate, payable to customers and electricity retailers, of which \$1,653,397 remained unpaid at year-end and is included in accounts payable and accrued liabilities.

9. PENSION AGREEMENT

The Company 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, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As the Company is only liable for the contributions, defined contribution plan accounting is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2005 was \$153,130 (2004 - \$141,729).

10. RELATED PARTY TRANSACTIONS AND BALANCES

Welland Hydro-Electric System Corp. provides overall business and strategic planning through its Board of Directors and will negotiate on behalf of Welland Hydro Energy Services Corp. and Welland Hydro-Electric Holdings Corp. other corporate programs such as risk management. The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Notes to the Financial Statements**

December 31, 2005

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due (to) from related parties at December 31 are as follows:

	<u>2005</u>	<u>2004</u>
Welland Hydro Energy Services Corp. - Accounts receivable	\$ 17,355	\$ 11,487
- Loan receivable	28,927	28,927
- Note receivable	34,000	-
Welland Hydro-Electric Holding Corp.	4,659	1,200
City of Welland - accounts receivable	87,396	-
City of Welland - accounts payable	-	(4,084)
	<u>\$ 172,337</u>	<u>\$ 37,530</u>

The following payments were received from related parties in the normal course of operations:

	<u>2005</u>	<u>2004</u>
City of Welland - Energy (at commercial rates)	\$ 734,127	\$ 638,520
Welland Hydro Energy Services Corp. - Rent	2,400	-
Welland Hydro Energy Services Corp. - Interest	2,040	-
Welland Hydro Energy Services Corp. - Streetlight maintenance	15,843	121,150
	<u>\$ 754,410</u>	<u>\$ 759,670</u>

The Company has entered into a service level agreement with Welland Hydro Energy Services Corp. The Company is to provide services related to customer billing and collection, accounting and administration at a 7% premium above the actual costs incurred.

The following expenses with the City were incurred in the regular course of operations:

	<u>2005</u>	<u>2004</u>
Property taxes and other taxes	\$ 93,086	\$ 95,704
Waste disposal/construction	6,330	545
Water	3,211	3,449
Interest	653,398	-
	<u>\$ 756,025</u>	<u>\$ 99,698</u>

11. NOTE PAYABLE

The note is due to the City of Welland and bears interest at 6.25%, beginning May 1, 2006. It is due 12 months after official demand by the City. A principal payment of \$87,500 was made subsequent to year-end and is included as a current liability.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
Notes to the Financial Statements
December 31, 2005

12. EMPLOYEE FUTURE BENEFITS

The Company pays certain medical and life insurance benefits to age 65 on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2005 of \$1,442,081 (2004 - \$1,395,498) and the expense for the year ended December 31, 2005 was determined by actuarial valuation using a discount rate of 5.0% (2004 - 5.5%).

Information regarding the defined benefit plan of the Company is as follows:

	2005	2004
Accrued benefit liability at January 1, 2005	\$ 1,395,498	\$ 1,373,698
Current service cost	30,491	24,820
Interest cost	72,182	75,080
Amortization of actuarial loss	7,031	6,567
Benefits paid for the period	(63,121)	(84,667)
Total accrued benefit liability, end of year	\$ 1,442,081	\$ 1,395,498
Projected accrued benefit obligation, end of year	\$ 1,484,270	\$ 1,436,896
Unamortized actuarial loss	\$ (42,189)	\$ (41,398)
Current portion	\$ 67,900	\$ 78,114
Long-term portion	1,374,181	1,317,384
	\$ 1,442,081	\$ 1,395,498

The main actuarial assumptions utilized for the valuation are as follows:

General Inflation – future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2005 and thereafter.

Discount (Interest) Rate – the obligation as at January 1, 2005 of the present value of future liabilities and the expense for the year ended December 31, 2005 were determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.0%. The projected liability at December 31, 2005 was determined using a discount rate of 5.0%.

Salary Levels – future general salary and wage levels were assumed to increase at 3.1% per annum.

Medical Costs – medical costs were assumed to increase at the CPI rate plus a further increase of 10.0% in 2005 through to 2007, decreasing to 5% by 2012.

Dental Costs – dental costs were assumed to increase at the CPI rate plus a further increase of 5% in 2005 and thereafter.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Notes to the Financial Statements**December 31, 2005

12. EMPLOYEE FUTURE BENEFITS (continued)

Sensitivity Analysis - assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates have the following effects for 2005:

	<u>Increase</u>	<u>Decrease</u>
Accrued benefit obligation, end of period	\$ 97,000	\$ (86,000)

13. CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 446,414	\$ (496,700)
Accounts receivable - unbilled revenue	(1,084,077)	(509,691)
Taxes receivable	(34,143)	(32,155)
Inventories	(23,924)	509,120
Prepaid expenses	77,860	(68,163)
Accounts payable and accrued liabilities	2,492,281	973,422
Customer deposits - current portion	(303,488)	599,563
Current portion - liability for future employee benefits	(10,214)	(18,437)
Conservation demand management	331,930	-
Other current liabilities	(14,991)	(1,300,313)
	<u>\$ 1,877,648</u>	<u>\$ (343,354)</u>

14. SHARE CAPITAL

	<u>2005</u>	<u>2004</u>
Authorized		
Unlimited number of common shares		
Issued		
1,000 common shares	\$ 12,953,180	\$ 12,953,180

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

15. CONTINGENCIES

A class action claiming \$500 million in restitution payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the defendant class consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981. The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The Electricity Distributors Association is undertaking the defence of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Company, and as such no potential liability has been recognized.

The Corporation participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.

As of May 1, 2002, in order for the Company to obtain the electricity it requires to distribute to its customers, the Company was required to provide security to the Independent Electricity System Operator (IESO) based on its usage. The security obtained was a letter of credit from a financial institution, which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio of less than 0.5. The letter is in the amount of \$3,241,224 and incurs interest at 0.6% annually.

16. FUTURE INCOMES TAXES

The Company follows the income taxes payable method of accounting for income tax. If the liability method of accounting for income taxes were used, a future tax asset of \$2,245,377 would be recorded at December 31, 2005 (2004 - \$1,152,000).

17. COMMITMENTS

The Company has an agreement to contribute to the costs of power connections and power lines in new subdivisions built in the City of Welland. The Company will take over the ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction of subdivisions in 2005 was \$175,021 (2004 - \$71,872). The estimated contribution for 2006 is \$61,000.

18. SUPPLEMENTAL CASH FLOW INFORMATION

The following are non-cash investing activities not included in the statement of cash flows:

	2005	2004
Transfer of inventory to capital assets	\$ -	\$ (333,591)
Capitalization of non-cash items	-	27,899

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2005

19. FINANCIAL INSTRUMENTS

Fair value

The Company's recognized financial instruments consist of cash and cash equivalents, investments, accounts receivable, due from related parties, taxes receivable, accounts payable, notes payable, customer deposits and long-term debt.

The fair values of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. As there is no secondary market for customer deposits, the calculation of their fair value with appropriate reliability is impractical.

It is not practical within the constraint of cost to determine the fair value of the note payable to parent with sufficient reliability.

The fair value of investments as at December 31, 2005 is \$131,742 (2004 - \$113,022).

Credit risk

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk. The company requires customers to provide security deposits subject to OEB requirements.

20. COMPARATIVE FIGURES

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

21. ADOPTION OF ACCOUNTING GUIDELINE

The Company, effective December 31, 2005, adopted the CICA Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". This guideline requires disclosure of how regulated transactions would have been reflected in the absence of rate regulation and disclosure useful to gain an understanding of the regulatory environment.

Welland Hydro-Electric System Corp.

2005 Tax Returns

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**BUSINESS CONSENT FORM**

Use this form to consent to the release of confidential information about your Business Number (BN) account(s) to the representative named below, or to cancel consent for an existing representative.

- Complete Parts 1, 2, and 5 to name a representative.
- Complete Parts 3, 4 and 5 to cancel consent for an existing representative.
- Complete all parts of this form if you want to both name a new representative and cancel consent for an existing representative.

If you have questions, such as where to send this form, call us at 1-800-959-5525.

Part 1 – Consent to release of information to a representative

Client's name: WELLAND HYDRO ELECTRIC SYSTEM CORP. Business Number: 86375 9692 RC0001

I consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Deloitte & Touche LLP

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name.

(519) 650-7600

Representative's telephone number Extension

(519) 650-7601

Representative's fax number

Part 2 – Details of consent**A. Which accounts?**

I request that this consent apply to all accounts. ☒ OR

I request that this consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to authorize access to more than one account of the same type, for example RP0002 and RP0003, please print account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	<u> </u>	RC	<u> </u>
GST/HST	RT0001	<input type="checkbox"/>	RT	<u> </u>	RT	<u> </u>
Payroll deductions	RP0001	<input type="checkbox"/>	RP	<u> </u>	RP	<u> </u>
Import/Export	RM0001	<input type="checkbox"/>	RM	<u> </u>	RM	<u> </u>

B. Which years?

I request that this consent apply to all years. ☒ OR

I request that this consent apply only to the following years:

- All year-ends up to:
Year Month Day
- All year-ends beginning in: and all years after that.
Year Month Day
- The following year-ends only:
Year Month Day Year Month Day

Year Month Day Year Month Day

Part 3 – Cancellation of consent to release of information to a representative

Client's name: _____ Business Number: _____

I cancel all previous consents for all representatives. ☐ OR

I cancel my consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.) _____

If you named a firm as your representative, and you want to cancel the consent for a particular individual of that firm, enter that individual's first and last name. _____

Representative's telephone number _____

Representative's fax number _____

Part 4 – Details of cancellation of consent**A. Which accounts?**I request that this cancellation of consent apply to all accounts. ☐ OR

I request that this cancellation of consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to cancel access to more than one account of the same type, for example RP0002 and RP0003, please print account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	_____	RC	_____
GST/HST	RT0001	<input type="checkbox"/>	RT	_____	RT	_____
Payroll deductions	RP0001	<input type="checkbox"/>	RP	_____	RP	_____
Import/Export	RM0001	<input type="checkbox"/>	RM	_____	RM	_____

B. Which years?I request that this cancellation of consent apply to all years. ☐ OR

I request that this cancellation of consent apply only to the following years:

1. All year-ends up to: _____
Year Month Day
2. All year-ends beginning in: _____ and all years after that.
Year Month Day
3. The following year-ends only: _____
Year Month Day Year Month Day

Year Month Day Year Month Day

Part 5 – SignatureYour name ROSS PEEVER Title PRESIDENT

This form must be signed by an owner, partner, director, trustee, or officer.

Sign here ► _____ Date _____
Year Month Day**WE WILL NOT PROCESS THIS FORM IF IT IS NOT SIGNED**

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2005-12-31**

For agency use
[055]

[001] 86375 9692 RC 0001

[060] 2005 01 01

[061] 2005 12 31

[099] EP04

XXXXXXXXXXXX

[002] WELLAND HYDRO ELECTRIC SYSTEM CORP.

[003] 2

[004] _____

XXXXXXXXXXXX

[010]@ 2

[011] _____

[012] _____

[015] _____

[016] _____

[017] _____

[018] _____

[020]@ 2

[021] _____

[022] _____

[023] _____

[025] _____

[026] _____

[027] _____

[028] _____

For agency use

[091] _____

[092] _____

[093] _____

For agency use

[094] _____

[095] _____

[096] _____

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[030]@ 2

[031] _____

[032] _____

[035] _____

[036] _____

[037] _____

[038] _____

XXXXXXXXXXXXX

[040] 1 [166] _____ [220] _____

[043] _____ [167] _____ [221] _____

[063] 2 [168] _____ [226] _____

[065] _____ [169] _____ [227] _____

[067] 2 [170] _____ [231] _____

[070] 2 [171] _____ [232] _____

[071] 2 [172] _____ [233] _____

[072] 2 [173] 1 [236] 1

[076] 2 [201] 1 [237] _____

[078] 2 [202] 1 [238] _____

[080] 1 [203] 1 [242] _____

[081] _____ [204] 1 [243] _____

[082] 2 [205] _____ [244] _____

[085] _____ [206] _____ [249] _____

[150] 1 [207] 1 [250] _____

[151] _____ [208] 1 [253] _____

[160] 1 [210] 1 [254] _____

[161] _____ [212] _____ [255] _____

[162] _____ [213] 1 [256] _____

[163] _____ [216] _____

[164] _____ [217] _____

[165] _____ [218] _____

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[258]	_____	[284]	POWER DISTRIBUTION
[259]	_____	[286]	_____
[260]	_____	[288]	_____
[261]	_____	[285]	100
[262]	_____	[287]	_____
[263]	_____	[289]	_____
[264]	_____	[950]	PEEVER
[291]	2	[951]	ROSS
[292]	2	[954]	PRESIDENT
[370]	_____	[955]	_____
[435]	_____	[956]	905 732 1381
[438]	_____	[957]	1
[624]	_____	[958]	_____
[646]	_____	[959]	_____
[750]	ON		XXXXXXXXXXXXX
[801]	_____		
[815]	_____		
[894]	1		
[896]	2		
[898]	_____		
[910]	_____		
[914]	_____		
[918]	_____		
[990]	1		
	XXXXXXXXXXXXX		
[280]	2		
[281]	2		
[282]	_____		
[283]	_____		

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[300]	761 860	[440]	_____	[652]	_____
[311]	3 406	[445]	_____	[700]	_____
[312]	_____	[450]	_____		XXXXXXXXXXXXXX
[313]	_____	[600]	_____		
[314]	_____	[632]	_____	[704]	_____
[320]	2 069	[636]	_____	[708]	_____
[325]	_____	[780]	_____	[716]	_____
[331]	756 385		XXXXXXXXXXXXXX	[720]	_____
[332]	_____			[724]	_____
[333]	_____	[460]	807	[727]	_____
[334]	_____	[465]	807	[728]	_____
[335]	_____	[480]	_____	[760]	_____
[340]	_____	[485]	690	[765]	_____
[350]	_____	[712]	690	[770]	690
[355]	_____		XXXXXXXXXXXXXX		XXXXXXXXXXXXXX
[360]	_____				
	XXXXXXXXXXXXXX	[550]	_____	[784]	690
		[602]	_____	[788]	_____
[400]	759 791	[604]	_____	[792]	_____
[405]	_____	[608]	_____	[796]	_____
[410]	300 000	[616]	_____	[797]	_____
[425]	_____	[620]	_____	[800]	_____
[430]	_____	[628]	_____	[804]	_____
	XXXXXXXXXXXXXX	[637]	_____	[808]	_____
		[638]	_____	[812]	_____
[415]	45 337	[639]	_____	[816]	_____
	XXXXXXXXXXXXXX	[640]	_____	[840]	_____
		[644]	_____	[890]	690
		[648]	_____		XXXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2005-12-31**

Certification

I, ROSS PEEVER am an authorized signing officer of the corporation. I certify that the following amounts are, to the best of my knowledge, correct and complete, and fully disclose the corporation's income tax payable. These amounts also reflect the information given on the corporation's income tax return for the taxation year noted above.

Net income (or loss) for income tax purposes from Schedule 001, or GIF1 [line 200300]	761 860
Part I tax payable [line 200700]	0
Part I.3 tax payable [line 200704]	0
Part II surtax payable [line 200708]	0
Part IV tax payable [line 200712]	690
Part IV.1 tax payable [line 200716]	0
Part VI tax payable [line 200720]	0
Part VI.1 tax payable [line 200724]	0
Part XIV tax payable [line 200728]	0
Net provincial and territorial tax payable [line 200760]	0
Provincial tax on large corporations [line 200765]	0

I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

PRESIDENT

		PRESIDENT
Date	Signature of an authorized signing officer of the corporation	Position, office or rank

T2-RETURN AND SCHEDULE INFORMATION

001

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[600] Opening adjustment to Financial Statement income

[601] _____

[602] _____

[603] Ontario Specified Tax Credits

[604] _____

[700] Closing adjustment to financial statement income

[701] _____

[702] 2005 T5013 Income from Ennerconnect Limited

[703] _____

[704] _____

XXXXXXXXXXXX

[101] _____ [118] _____ [204] _____

[102] _____ [119] _____ [205] _____

[103] _____ [120] _____ [206] _____

[104] 1 493 388 [121] 3 295 [207] _____

[105] _____ [122] _____ [208] _____

[106] _____ [123] _____ [209] _____

[107] _____ [124] _____ [210] _____

[108] _____ [125] 672 871 [211] _____

[109] _____ [126] 2 041 529 [212] _____

[110] _____ [127] _____ [213] _____

[111] _____ [199] 1 556 716 [214] _____

[112] 3 406 [500] 5 771 205 [215] _____

[113] _____ **XXXXXXXXXXXX** [216] _____

[114] _____ [217] _____

[115] _____ [201] _____ [218] _____

[116] _____ [202] _____ [219] _____

[117] _____ [203] _____ [220] _____

T2-RETURN AND SCHEDULE INFORMATION

001

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[221]	_____	[300]	_____	[401]	8 461
[222]	_____	[301]	_____	[402]	_____
[223]	_____	[302]	_____	[403]	1 164 924
[224]	_____	[303]	_____	[404]	_____
[225]	_____	[304]	_____	[405]	152 822
[226]	_____	[305]	_____	[406]	_____
[227]	_____	[306]	_____	[407]	_____
[228]	_____	[307]	_____	[408]	_____
[229]	_____	[308]	_____	[409]	_____
[230]	_____	[309]	_____	[410]	_____
[231]	_____	[310]	_____	[411]	_____
[232]	_____	[311]	_____	[413]	994 804
[233]	_____	[312]	_____	[414]	2 120 898
[234]	_____	[313]	_____	[416]	_____
[235]	_____	[314]	_____	[417]	_____
[236]	_____	[315]	_____	[499]	619 271
[237]	_____	[316]	_____	[510]	5 061 180
[238]	_____	[340]	_____		XXXXXXXXXXXXXX
[290]	1 556 424	[341]	_____		
[291]	_____	[342]	_____		
[292]	_____	[343]	_____		
[293]	292	[344]	_____		
[294]	_____	[345]	_____		
	XXXXXXXXXXXXXX	[346]	_____		
		[390]	618 265		
		[391]	_____		
		[392]	1 006		
		[393]	_____		
		[394]	_____		
			XXXXXXXXXXXXXX		

T2-RETURN AND SCHEDULE INFORMATION

002

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[225]	_____	[410]	_____
[227]	_____	[440]	_____
[230]	_____	[450]	_____
[235]	_____	[455]	_____
[239]	_____	[460]	_____
[339]	_____	[480]	_____
[439]	_____		XXXXXXXXXXXXX
[539]	_____		
	XXXXXXXXXXXXX	[510]	_____
		[540]	_____
[210]	3 406	[550]	_____
[240]	_____	[555]	_____
[250]	_____	[560]	_____
[255]	_____	[580]	_____
[260]	3 406		XXXXXXXXXXXXX
[280]	_____		
	XXXXXXXXXXXXX		
[310]	_____		
[340]	_____		
[350]	_____		
[355]	_____		
[360]	_____		
[380]	_____		
	XXXXXXXXXXXXX		

T2-RETURN AND SCHEDULE INFORMATION

003

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[210] 1. NR * [450] _____

[460] 100 000

[220] 1. 2005 12 31 * XXXXXXXXXXXXX

[230] 1. _____ * [500] 100 000

[510] _____

[410] 1. 86360 4328 RC 0001 * [520] _____

[530] _____

[420] 1. 2005 12 31 * XXXXXXXXXXXXX
XXXXXXXXXXXXXXX

[205] 1. 2 * XXXXXXXXXXXXXXX

[240] 1. 2 069 * XXXXXXXXXXXXXXX

[250] 1. _____ *

[260] 1. _____ *

[270] 1. 690 * XXXXXXXXXXXXXXX

[320] _____

[330] _____

[335] _____

[340] _____

[345] _____

[360] 690

XXXXXXXXXXXXXXX

[430] 1. 100 000 * XXXXXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

003

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[**200**] 1. Sunlife Canada (T5) *

[**400**] 1. Welland Hydro-Electric Holding Corp *

XXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

004

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[100]	_____	[200]	_____	[402]	_____
[190]	_____	[205]	_____	[405]	_____
[300]	_____	[210]	_____	[410]	_____
[400]	_____	[220]	_____	[430]	_____
[485]	_____	[225]	_____	[440]	_____
[500]	_____	[240]	_____	[450]	_____
	XXXXXXXXXXXXX	[250]	_____	[480]	_____
		[280]	_____	[941]	_____
[102]	1 142 157	[951]	_____	[942]	_____
[105]	_____	[952]	_____	[943]	_____
[110]	_____	[953]	_____		XXXXXXXXXXXXX
[130]	756 385		XXXXXXXXXXXXX		
[135]	_____			[502]	_____
[140]	_____	[302]	_____	[510]	_____
[150]	_____	[305]	_____	[530]	_____
[180]	385 772	[310]	_____	[550]	_____
[901]	_____	[330]	_____	[580]	_____
[902]	_____	[335]	_____	[961]	_____
[903]	_____	[340]	_____	[962]	_____
[911]	_____	[350]	_____	[963]	_____
[912]	_____	[380]	_____		XXXXXXXXXXXXX
[913]	_____	[921]	_____		
	XXXXXXXXXXXXX	[922]	_____		
		[923]	_____		
		[931]	_____		
		[932]	_____		
		[933]	_____		
			XXXXXXXXXXXXX		

T2-RETURN AND SCHEDULE INFORMATION

004

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[602] 1. _____ *

[632] 1. _____ *

XXXXXXXXXXXXX

[600] 1. _____ *

[630] 1. _____ *

[660] 1. _____ *

XXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[604] 1. _____ *

[606] 1. _____ *

[608] 1. _____ *

[620] 1. _____ *

XXXXXXXXXXXXX

[634] 1. _____ *

[636] 1. _____ *

[638] 1. _____ *

[650] 1. _____ *

XXXXXXXXXXXXX

[662] 1. _____ *

[664] 1. _____ *

[670] 1. _____ *

[675] 1. _____ *

[680] 1. _____ *

XXXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

007

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[500]	_____	[300]	1. _____	*
[520]	_____			
	XXXXXXXXXXXXXX	[325]	1. _____	*
[001]	_____	[330]	1. _____	*
[009]	_____		XXXXXXXXXXXXXX	
[019]	_____			
[029]	_____	[340]	1. _____	*
[049]	_____			
[059]	_____	[360]	_____	
[069]	_____		XXXXXXXXXXXXXX	
[079]	_____			
	XXXXXXXXXXXXXX	[370]	_____	
		[380]	_____	
[002]	_____	[385]	_____	
[012]	_____	[390]	_____	
[022]	_____		XXXXXXXXXXXXXX	
[032]	2 069			
[042]	_____	[350]	_____	
[052]	_____	[400]	_____	
[062]	2 069	[450]	_____	
[072]	_____		XXXXXXXXXXXXXX	
[082]	_____			
[092]	_____			
	XXXXXXXXXXXXXX			
[310]	1. _____			*
[315]	1. _____			*
[320]	1. _____			*
	XXXXXXXXXXXXXX			

T2-RETURN AND SCHEDULE INFORMATION

007

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[200] 1. _____ *

XXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

008

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[101] 2

[200] 1. 1

2. 1

3. 1

4. 1

5. 1

6. 8

7. 10

8. 12

9. 45 *

[211] 1. 85 647

2. _____

3. 621 012

4. 130 775

5. 22 323

6. 2 276

7. 25 906

8. 45 256

9. 22 662 *

[212] 1. 4

2. 4

3. 4

4. 4

5. 4

6. 20

7. 30

8. 100

9. 45 *

XXXXXXXXXXXXX

[201] 1. 2 486 183

2. 5 319 567

3. 9 181 661

4. 3 040 078

5. 1 424 781

6. 255 569

7. 355 335

8. 58 051

9. _____ *

[203] 1. 171 293

2. _____

3. 1 242 024

4. 261 549

5. 44 645

6. 38 661

7. 53 723

8. 90 511

9. 45 323 *

[205] 1. _____

2. _____

3. # 150 670

4. # 24 351

5. _____

6. _____

7. _____

8. _____

9. _____ *

[207] 1. _____

T2-RETURN AND SCHEDULE INFORMATION

008

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

2. _____

3. 386 080

3. _____

4. 125 860

4. _____

5. 57 884

5. _____

6. 51 569

6. 34 110

7. 114 372

7. 1 911

8. 103 306

8. _____

9. 10 197 *

9. _____ *

[220]

1. 2 554 603

[213]

1. _____

2. 5 106 784

2. _____

3. 9 886 935

3. _____

4. 3 151 416

4. _____

5. 1 411 542

5. _____

6. 208 551

6. _____

7. 292 775

7. _____

8. 45 256

8. _____

9. 35 126 *

9. _____ *

XXXXXXXXXXXXX

[215]

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____ *

[217]

1. 102 873

2. 212 783

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2005-12-31**

- [300] 1. 86360 4328 RC 0001
 2. 86375 9494 RC 0001
 3. NR *

- [400] 1. 1
 2. 3
 3. 3 *

XXXXXXXXXXXX

- [100] 1. WELLAND HYDRO-ELECTRIC HOLDING CORP.
 2. WELLAND HYDRO ELECTRIC RETAIL CORP.
 3. City of Welland *

- [200] 1. _____
 2. _____
 3. _____ *

- [500] 1. _____
 2. _____
 3. _____ *

- [550] 1. _____
 2. _____
 3. _____ *

- [600] 1. _____
 2. _____
 3. _____ *

- [650] 1. _____
 2. _____

T2-RETURN AND SCHEDULE INFORMATION

009

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

3. _____ *

[700]

1. _____

2. _____

3. _____ *

XXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[200] 2 183 166

[222] _____

[224] _____

[226] _____

[228] _____

[230] 2 183 166

XXXXXXXXXXXXX

[242] _____

[244] _____

[246] _____

[248] _____

XXXXXXXXXXXXX

[249] _____

[250] 152 822

[300] 2 030 344

XXXXXXXXXXXXX

[400] _____

[401] _____

[402] _____

[408] _____

[409] _____

[410] _____

XXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[110] 672 871

[130] _____

[150] _____

[170] _____

[190] _____

[210] _____

[230] _____

[270] 672 871

XXXXXXXXXXXX

[115] _____

[135] _____

[155] _____

[175] _____

[195] _____

[215] _____

[235] _____

[275] _____

XXXXXXXXXXXX

[120] 662 873

[140] 331 931

[160] _____

[180] _____

[200] _____

[220] _____

[240] _____

[280] 994 804

XXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[002] 1. _____ *

[008] _____
XXXXXXXXXXXXXX

[003] 1. _____ *

[009] _____
XXXXXXXXXXXXXX

[004] 1. _____ *

[010] _____
XXXXXXXXXXXXXX

[001] 1. _____ *

XXXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2005-12-31**

[025] _____

[050] 2005

[075] 2

[200] 1. 86375 9692 RC 0001

2. 86360 4328 RC 0001

3. 86375 9494 RC 0001

4. NR *

[300] 1. 1

2. 1

3. 1

4. 4 *

XXXXXXXXXXXXX

[350] 1. 100

2. _____

3. _____

4. _____ *

XXXXXXXXXXXXX

[400] 1. 300 000

2. _____

3. _____

4. _____ *

XXXXXXXXXXXXX

[100] 1. WELLAND HYDRO ELECTRIC SYSTEM CORP.

2. WELLAND HYDRO-ELECTRIC HOLDING CORP.

3. WELLAND HYDRO ELECTRIC RETAIL CORP.

4. City of Welland *

XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2005-12-31**

[010] _____

[020] 2

[030] 2005

[300] 1. 86375 9692 RC 0001

2. 86360 4328 RC 0001

3. 86375 9494 RC 0001

4. NR *

[500] 1. _____

2. _____

3. _____

4. _____ *

XXXXXXXXXXXX

[400] 1. 49 842 000

2. 105 000

3. 53 000

4. _____ *

XXXXXXXXXXXX

[200] 1. WELLAND HYDRO ELECTRIC SYSTEM CORP.

2. WELLAND HYDRO-ELECTRIC HOLDING CORP.

3. WELLAND HYDRO ELECTRIC RETAIL CORP.

4. City of Welland *

XXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

050

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[100] 1. Welland Hydro-Electric Holding Corp. *

[200] 1. 86360 4328 RC 0001 *

[300] 1. _____ *

[400] 1. 100 *

[500] 1. _____ *

XXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[3640] 37 019 745
XXXXXXXXXXXXX

[1000] _____

[1599] 37 019 745

[2599] 37 019 745
XXXXXXXXXXXXX

[2600] _____

[3499] 22 941 104
XXXXXXXXXXXXX

[3500] 12 953 180

[3540] 630 158

[3600] 495 303

[3620] 14 078 641
XXXXXXXXXXXXX

[3660] 543 468

[3680] 51 835

[3700] # 100 000

[3849] 495 303
XXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[0001] _____

[0002] _____

XXXXXXXXXXXXXX

[0003] _____

XXXXXXXXXXXXXX

[8519] 5 226 331 [9370] _____

[9369] 51 835 [9659] 0

[9899] _____ **XXXXXXXXXXXXXX**

[9970] 51 835

[9975] _____ [9660] _____

[9976] _____ [9898] 0

[9980] _____ **XXXXXXXXXXXXXX**

[9985] _____

[9990] _____

[9995] _____

[9999] 51 835

XXXXXXXXXXXXXX

[8000] _____

[8089] 43 681 399

[8230] 612 457

[8299] 44 293 856

XXXXXXXXXXXXXX

[8300] _____

[8320] 38 455 068

[8518] 38 455 068

[9367] 5 786 953

[9368] 44 242 021

XXXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2005-12-31

[095] 1

[097] 2

[198] 1

[099] 2

[101] 1

[102] 2

[103] 2

[104] 2

[105] 2

[106] 1

[107] 1

[108] 2

XXXXXXXXXXXX

Ontario Tax Instalments

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Ontario tax instalments

For the taxation year ended: 2006-12-31

The following is a list of Ontario instalments payable for the current taxation year. The last column indicates the instalments payable to the Ontario Ministry of Revenue. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Minister of Finance. Payment may be made either to a chartered bank in Ontario or filed with an instalment form and addressed to:

Ministry of Revenue (Ontario)
Corporation Tax Branch
P.O. Box 620
33 King Street West
Oshawa, Ontario
L1H 8E9

Quarterly instalment

Date	Instalments required	Instalments paid	Cumulative difference	Instalments payable
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total	_____	_____	_____	_____

Date	Instalments required	Instalments paid	Cumulative difference	Instalments payable
2006-01-31	5,555	4,072	1,483	_____
2006-02-28	5,555	4,072	2,966	_____
2006-03-31	5,555	4,072	4,449	_____
2006-04-30	5,555	4,072	5,932	_____
2006-05-31	5,555	4,072	7,415	_____
2006-06-30	5,555	_____	_____	12,970
2006-07-31	5,555	_____	_____	5,555
2006-08-31	5,555	_____	_____	5,555
2006-09-30	5,555	_____	_____	5,555
2006-10-31	5,555	_____	_____	5,555
2006-11-30	5,555	_____	_____	5,555
2006-12-31	5,548	_____	_____	5,548
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total	66,653	20,360	_____	46,293

Indicate instalment method chosen [1-3]: 1

1st Instalment base method

Do not use the quarterly payment even if applicable "X" to continue montly payments

If instalments are starting late, indicate the MONTH in which you want them to start (1=January, 2=February, etc.) 1

1 – 1st Instalment base method

1st instalment base amount (amount I below)	<u>66,653</u> ÷ <u>12</u> =	<u>5,555</u>
Monthly instalments required	_____	<u>5,555</u>
Quarterly instalments required	_____	_____

2 – Combined 1st and 2nd instalment method

2nd instalment base amount:

Indicate:	Income tax, C.M.T.								
	Capital tax, prem. tax	+	72,117						
	Total	=	72,117	÷	12	=	6,010	A	
Each of the first two instalment payments								6,010	B
Total tax from I below			66,653						
Amount A above x 2			–	12,020					
			=	54,633	÷	10	=	5,464	
Each of the remaining ten instalment payments								5,464	
Quarterly instalments required									

3 – Estimated tax method

Instalment base amount (amount I below)	÷	12	=	
Monthly instalments required				
Quarterly instalments required				

Instalment base calculation

	1st instalment base method	Estimated tax method	
Ontario taxable income			
Calculation of tax payable			
Gross Ontario tax			A
Incentive deduction for an S.B.C., net of surtax			
Manufacturing and processing profits credit	+	+	
Additional deduction for credit unions	+	+	
Credit for foreign taxes paid	+	+	
Credit for investment in S.B.D.C.	+	+	
Specified credits applied against income tax	+	+	
Total deduction and credits	=	=	B
Income tax (A - B)			C
Capital tax	+	+	D
Corporate minimum tax paid (credited)	+	+	E
Premium tax	+	+	F
Total income tax and other taxes (C + D + E + F)	=	=	G
Adjustment for short taxation years x 365 ÷ number of days in year if less than 365	365 ÷	365 ÷	
			H
Total estimated current year credits	–	–	
			I



Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Electronic Filing Certificate
for Corporations Tax Return CT23

<input type="checkbox"/> First Year of Filing			<input type="checkbox"/> Final Taxation Year up to Dissolution			<input type="checkbox"/> Change of Control fed. s.249(4)			Corporation's Ontario Tax Account Number 1800215		
<input type="checkbox"/> Amended Return			<input type="checkbox"/> Final Taxation Year before Amalgamation			Date Control was acquired: <div></div>			Date of Incorporation 2000-07-01		
<input type="checkbox"/> Taxation Year End has changed (approval by Revenue Canada required)			<input type="checkbox"/> Floating Fiscal Year End						Return for Taxation Year		
<input type="checkbox"/> Exempt From Filing			<input checked="" type="checkbox"/> Subject to CMT						Start 2005-01-01		
Change of Information? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>									End 2005-12-31		
Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.									Revenue Canada Taxation Account Number 86375 9692 RC0001		
Mailing Address 950 EAST MAIN STREET P.O. BOX 280 WELLAND ON CA L3B 5P6									Jurisdiction Incorporated ONTARIO		
Transmitter Data Transmitter Number A0001006 Transmitter Name: Deloitte & Touche LLP Name of Person to Contact Telephone Number (519) 650-7600 Facsimile Number (519) 650-7601 Transmitter Address: 4210 King Steet East Kitchener ON N2P2G5									Certification I am an authorized signing officer of the Corporation. I certify that this Return, including all schedules and statements filed with or as part of this Return, has been examined by me and is a true, correct and complete Return, and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the Corporations Tax Act. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.		
Disk Reference Number 596920									Name ROSS PEEVER		
Aggregate of Total Revenue 250 44,293,856									Title PRESIDENT		
Aggregate of Total Assets 249 37,019,745									Full Residence address		
Taxable Income (Non-capital Loss) 10											
Total Tax Payable 950 66,653											
Payments 960 73,000											
Enclosed 990											
Apply to: Year											
Apply Amount 980											
Refund 975 6,347 Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>											
If Yes, Due to:											
Loss Carryback Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>									Signature		
Overpayment Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>									Date		
Refundable Tax Credit Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>									Phone Number (905) 732-1381		
									Ministry Use Only		
									Return I.D. # 86375969220060627143745000000		

Payment Advice

Enter the amount of payment and indicate taxation year.

Corporation's Ontario Tax Account Number 1800215	Date of Incorporation year month day 2000-07-01	Taxation Year End	Payment Amount
Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.		2004-12-31	\$
		2005-12-31	\$
		Total Payment	\$

Submit your cheque (drawn on a Canadian financial institution) or money order, in Canadian funds, payable to the Minister of Finance.

Send to: Ontario Ministry of Finance
Corporations Tax Branch
PO Box 642
33 King Street West
Oshawa ON L1H 8T1

Incomplete information will result in a delay processing an assessment.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**T2 CORPORATION INCOME TAX RETURN****200**

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporate return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing. If you need more information about items on the return, see the *T2 Corporation – Income Tax Guide* (T4012).

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's taxation year. For more information on when and how to file T2 returns, refer to the Guide under the heading "Before you start."

055 Do not use this area**Identification****Business Number (BN)** **001** 86375 9692 RC0001**Corporation's name****002** WELLAND HYDRO ELECTRIC SYSTEM CORP.Has the corporation changed its name since the last time we were notified? **003** 1 Yes ☐ 2 No ☒If Yes, do you have a copy of the articles of amendment? . . . **004** 1 Yes ☐ 2 No ☐**Address of head office**Has the address changed since the last time we were notified? **010** 1 Yes ☐ 2 No ☒**011** 950 EAST MAIN STREET**012** P.O. BOX 280**015** WELLAND

Country (other than Canada)

017 L3B 5P6**Mailing address (if different from head office address)**Has the address changed since the last time we were notified? **020** 1 Yes ☐ 2 No ☒**021** c/o**022****023****025** City**026** Province, territory, or state**027** Country (other than Canada)**028** Postal code/ZIP code**Location of books and records**Has the location of books and records changed since the last time we were notified? **030** 1 Yes ☐ 2 No ☒**031** 950 EAST MAIN STREET**032** P.O. BOX 280**035** WELLAND**037** Country (other than Canada)**038** L3B 5P6**040 Type of corporation at the end of the taxation year**1 ☒ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation2 ☐ Other private corporation 5 ☐ Other corporation (specify, below)3 ☐ Public corporationIf the type of corporation changed during the taxation year, provide the effective date of the change **043** YYYY MM DD**To which taxation year does this return apply?**

Taxation year start

060 2005-01-01

YYYY MM DD

Taxation year end

061 2005-12-31

YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous taxation year? **063** 1 Yes ☐ 2 No ☒

If Yes, provide the date

control was acquired **065** YYYY MM DD**Is the corporation a professional corporation that is a member of a partnership?****067** 1 Yes ☐ 2 No ☒**Is this the first year of filing after:**Incorporation? **070** 1 Yes ☐ 2 No ☒Amalgamation? **071** 1 Yes ☐ 2 No ☒

If Yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a windup of a subsidiary under section 88 during the current taxation year?**072** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 24.

Is this the final taxation year before amalgamation?**076** 1 Yes ☐ 2 No ☒**Is this the final return up to dissolution?****078** 1 Yes ☐ 2 No ☒**Is the corporation a resident of Canada?****080** 1 Yes ☒ 2 No ☐ If No, give the country of residence on line 081 and complete and attach Schedule 97.**081 Is the non-resident corporation claiming an exemption under an income tax treaty?****082** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- 085**
- 1 ☐ Exempt under paragraph 149(1)(e) or (l)
- 2 ☐ Exempt under paragraph 149(1)(j)
- 3 ☐ Exempt under paragraph 149(1)(t)
- 4 ☐ Exempt under other paragraphs of section 149

Do not use this area**091****092****093****094****095****096**

Attachments**Financial statement information:** Use GIF1 schedules 100, 125, and 141.**Schedules** – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

		Yes	Schedule
Is the corporation related to any other corporations?	150	<input checked="" type="checkbox"/>	9
Does the corporation have any non-resident shareholders?	151	<input type="checkbox"/>	19
Is the corporation an associated Canadian-controlled private corporation?	160	<input checked="" type="checkbox"/>	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	161	<input type="checkbox"/>	49
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162	<input type="checkbox"/>	11
If you answered Yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	169	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	170	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	171	<input type="checkbox"/>	T106
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172	<input type="checkbox"/>	
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	<input checked="" type="checkbox"/>	50
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; or gifts of cultural or ecological property?	202	<input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	<input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	204	<input checked="" type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the taxation year?	206	<input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207	<input checked="" type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	208	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	210	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	212	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	213	<input checked="" type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	216	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	218	<input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	220	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221	<input type="checkbox"/>	21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	226	<input type="checkbox"/>	26 *
Does the corporation have any Canadian manufacturing and processing profits?	227	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	231	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232	<input type="checkbox"/>	T661
Is the corporation subject to gross Part I.3 tax?	233	<input type="checkbox"/>	33/34/35
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	236	<input checked="" type="checkbox"/>	36
Is the corporation claiming a surtax credit?	237	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	242	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	253	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	254	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax?	255	<input type="checkbox"/>	92 *

*** We do not print this schedule.**

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	258	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	259	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	<input type="checkbox"/>	T1174

Additional information

Is the corporation inactive? **280** 1 Yes ☐ 2 No ☒

Has the major business activity changed since the last return was filed? (enter Yes for first-time filers) **281** 1 Yes ☐ 2 No ☒

What is the corporation's major business activity? **282** _____
(Only complete if Yes was entered at line 281.)

If the major business activity involves the resale of goods, show whether it is wholesale or retail **283** 1 Wholesale ☐ 2 Retail ☐

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284 POWER DISTRIBUTION	285 100.000 %
286 _____	287 _____ %
288 _____	289 _____ %

Did the corporation immigrate to Canada during the taxation year? **291** 1 Yes ☐ 2 No ☒

Did the corporation emigrate from Canada during the taxation year? **292** 1 Yes ☐ 2 No ☒

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL. **300** 761,860 A

Deduct:

Charitable donations from Schedule 2	311	3,406
Gifts to Canada, a province, or a territory from Schedule 2	312	
Cultural gifts from Schedule 2	313	
Ecological gifts from Schedule 2	314	
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320	2,069
Part VI.1 tax deduction from Schedule 43 *	325	
Non-capital losses of preceding taxation years from Schedule 4	331	756,385
Net capital losses of preceding taxation years from Schedule 4	332	
Restricted farm losses of preceding taxation years from Schedule 4	333	
Farm losses of preceding taxation years from Schedule 4	334	
Limited partnership losses of preceding taxation years from Schedule 4	335	
Taxable capital gains or taxable dividends allocated from a central credit union	340	
Prospector's and grubstaker's shares	350	
Subtotal		761,860

Subtotal (amount A **minus** amount B) (if negative, enter "0") **355** 761,860 B

Add: Section 110.5 additions and/or subparagraph 115(1)(a)(vii) additions **355** _____ C

Taxable income (amount C **plus** amount D) **360** _____ D

Income exempt under paragraph 149(1)(t) **370** _____

Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370) _____ Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction**Canadian-controlled private corporations (CCPCs) throughout the taxation year**Income from active business carried on in Canada from Schedule 7 **400** 759,791 ATaxable income from line 360 on page 3, **minus** 10/3 of the amount on line 632* on page 7, **minus** 3 times the amount on line 636** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax **405** B**Calculation of the business limit:**

For all CCPCs, calculate the amount at line 4 below.

225,000	x	Number of days in the taxation year in 2003	=	1
		Number of days in the taxation year	365	

250,000	x	Number of days in the taxation year in 2004	=	2
		Number of days in the taxation year	365	

300,000	x	Number of days in the taxation year after 2004	365	=	300,000	3
		Number of days in the taxation year	365			

Add amounts at lines 1, 2, and 3 300,000 4Business limit (see notes 1 and 2 below) **410** 300,000 C

- Notes:**
- For CCPCs that are not associated, enter the amount from line 4 at line 410. However, if the corporation's taxation year is less than 51 weeks, prorate the amount from line 4 by the number of days in the taxation year divided by 365, and enter the result on line 410.
 - For associated CCPCs, use Schedule 23 to calculate the amount to be entered at line 410.

Business limit reduction:

Amount C	300,000	x	415 ***	45,337	D	=	1,208,987	E
				11,250				

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") **425** F**Small business deduction** – 16.00 % of whichever amount is the least: A, B, C, or F **430** G

(enter amount G on line 9 of page 7)

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible at line 636 without reference to the corporate tax reductions under section 123.4.

***** Large corporation tax**

- The large corporation tax to be entered at line 415 is the gross Part I.3 tax, which is the amount before deducting the surtax credits, increased to reflect a full-year tax liability if the taxation year is less than 51 weeks. For the purpose of the business limit reduction, the gross Part I.3 tax is equal to 0.225% x (taxable capital employed in Canada **minus** \$10,000,000).
- If the corporation is not associated with any corporations in both the current and the preceding taxation years, enter the corporation's gross Part I.3 tax for its **preceding** taxation year.
- If the corporation is not associated with any corporations in the current taxation year, but was associated in the preceding taxation year, enter the corporation's gross Part I.3 tax for its **current** taxation year.
- For corporations associated in the current taxation year, see Schedule 23 for the special rules that apply.

Accelerated tax reduction**Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction**Reduced business limit (amount from line 425) x $\frac{300,000}{\text{line 4 above}}$ = A

Net active business income (amount from line 400) * 759,791 B

Taxable income from line 360 on page 3 **minus** 3 times the amount at line 636** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I Tax C**Deduct:**

Aggregate investment income (amount from line 440 of page 6) D

Amount C **minus** amount D (if negative, enter "0") **▶** E

Amount A, B, or E above, whichever is less F

Amount Z from Part 9 of Schedule 27 x 100 / 7 = G

Amount QQ from Part 13 of Schedule 27 H

Taxable resource income from line 435 above I

Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17) J

Amount on line 400, 405, 410, or 425 of the small business deduction, whichever is less K

Total of amounts G, H, I, J, and K **▶** LAmount F **minus** amount L (if negative, enter "0") M**Accelerated tax reduction** – 7.00 % of amount M (enter amount N on line 637 of page 7) N

* If the amount at line 450 of Schedule 7 is positive, members of partnerships need to use Schedule 70 to calculate net active business income.

** Calculate the amount of foreign business income tax credit deductible at line 636 without reference to the corporate tax reductions under section 123.4.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)]				435	<u> </u>	A
Amount A	<u> </u>	x	Number of days in the taxation year in 2004	<u> </u>	x 2 % =	<u> </u> B
			Number of days in the taxation year	365		
Amount A	<u> </u>	x	Number of days in the taxation year in 2005	365	x 3 % =	<u> </u> C
			Number of days in the taxation year	365		
Amount A	<u> </u>	x	Number of days in the taxation year in 2006	<u> </u>	x 5 % =	<u> </u> D
			Number of days in the taxation year	365		
Amount A	<u> </u>	x	Number of days in the taxation year after 2006	<u> </u>	x 7 % =	<u> </u> E
			Number of days in the taxation year	365		
Resource deduction – total of amounts B, C, D, and E (enter amount F on line 10 of page 7)				438	<u> </u>	F

General tax reduction for Canadian-controlled private corporations**Canadian-controlled private corporations throughout the taxation year**

Taxable income from line 360 on page 3				<u> </u>	A	
Amount Z from Part 9 of Schedule 27	<u> </u>	x	100 / 7 =	<u> </u>	B	
Amount QQ from Part 13 of Schedule 27	<u> </u>			<u> </u>	C	
Taxable resource income from line 435 above	<u> </u>			<u> </u>	D	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)	<u> </u>			<u> </u>	E	
Amount on line 400, 405, 410, or 425 on page 4, whichever is the least	<u> </u>			<u> </u>	F	
Aggregate investment income from line 440 of page 6	<u> </u>			<u> </u>	G	
Amount used to calculate the accelerated tax reduction (amount M of page 4)	<u> </u>			<u> </u>	H	
Total of amounts B, C, D, E, F, G, and H	<u> </u>			<u> </u>	I	
Amount A minus amount I (if negative, enter "0")				<u> </u>	J	
Amount J	<u> </u>	x	Number of days in the taxation year after 2003	365	x 7 % =	<u> </u> K
			Number of days in the taxation year	365		
General tax reduction for Canadian-controlled private corporations – amount K (enter amount L on line 638 of page 7)				<u> </u>	L	

General tax reduction**Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation**

Taxable income from line 360 on page 3				<u> </u>	M	
Amount Z from Part 9 of Schedule 27	<u> </u>	x	100 / 7 =	<u> </u>	N	
Amount QQ from Part 13 of Schedule 27	<u> </u>			<u> </u>	O	
Taxable resource income from line 435 above	<u> </u>			<u> </u>	P	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)	<u> </u>			<u> </u>	Q	
Total of amounts N, O, P, and Q	<u> </u>			<u> </u>	R	
Amount M minus amount R (if negative, enter "0")				<u> </u>	S	
Amount S	<u> </u>	x	Number of days in the taxation year after 2003	365	x 7 % =	<u> </u> T
			Number of days in the taxation year	365		
General tax reduction – amount T (enter amount U on line 639 of page 7)				<u> </u>	U	

Refundable portion of Part I tax**Canadian-controlled private corporations throughout the taxation year**

Aggregate investment income **440** x 26 2 / 3 % = A
(amount P from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632 on page 7

Deduct:

Foreign investment income **445** x 9 1 / 3 % = B
(amount O from Part 1 of Schedule 7) (if negative, enter "0")

Amount A **minus** amount B (if negative, enter "0") C

Taxable income from line 360 on page 3

Deduct:

Amount on line 400, 405, 410, or 425 on page 4,
whichever is the least

Foreign non-business
income tax credit from
line 632 of page 7 x 25 / 9 =

Foreign business income
tax credit from line 636
of page 7 x 3 =
x 26 2 / 3 % = D

Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 of page 8)

Deduct: Corporate surtax from line 600 of page 7

Net amount E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least **450** F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding taxation year **460** 807

Deduct: Dividend refund for the previous taxation year **465** 807

Add the total of:

Refundable portion of Part I tax from line 450 above

Total Part IV tax payable from line 360 of Schedule 3 690

Net refundable dividend tax on hand transferred from a predecessor
corporation on amalgamation, or from a wound-up subsidiary corporation ... **480** 690

Refundable dividend tax on hand at the end of the taxation year – Amount G **plus** amount H **485** 690

Dividend refund**Private and subject corporations at the time taxable dividends were paid in the taxation year**

Taxable dividends paid in the taxation year from line 460 of Schedule 3 100,000 x 1 / 3 33,333 I

Refundable dividend tax on hand at the end of the taxation year from line 485 above 690 J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 of page 8) 690

Part I tax**Base amount of Part I tax** – 38.00 % of taxable income (line 360 or amount Z, whichever applies) from page 3 **550** _____ A**Corporate surtax calculation**Base amount from line A above 1**Deduct:**10 % of taxable income (line 360 or amount Z, whichever applies) from page 3 2Investment corporation deduction from line 620 below 3Federal logging tax credit from line 640 below 4Federal qualifying environmental trust tax credit from line 648 below 5

For a mutual fund corporation or an investment corporation throughout the taxation year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360 of page 3 a } _____ 6

28.00 % of taxed capital gains b } _____

Part I tax otherwise payable c } _____

(line A **plus** lines C and D **minus** line F)Total of lines 2 to 6 7Net amount (line 1 **minus** line 7) 8**Corporate surtax** – 4.00 % of the amount on line 8 **600** _____ BRecapture of investment tax credit from line PPP in Part 21 of Schedule 31 **602** _____ C**Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income**
(if it was a CCPC throughout the taxation year)Aggregate investment income from line 440 on page 6 i

Taxable income from line 360 on page 3 _____

Deduct:Amount on line 400, 405, 410, or 425 of page 4,
whichever is the least _____Net amount ii**Refundable tax on CCPC's investment income** – 6 2 / 3 % of whichever is less: amount i or ii **604** _____ D

Subtotal (add lines A, B, C, and D) _____ E

Deduct:Small business deduction from line 430 of page 4 9Federal tax abatement **608** _____Manufacturing and processing profits deduction from amount BB
or amount RR of Schedule 27 **616** _____Investment corporation deduction **620** _____
(taxed capital gains **624**)Additional deduction – credit unions from Schedule 17 **628** _____Federal foreign non-business income tax credit from Schedule 21 **632** _____Federal foreign business income tax credit from Schedule 21 **636** _____Accelerated tax reduction from amount N on page 4 **637** _____Resource deduction from line 438 on page 5 10General tax reduction for CCPCs from amount R on page 5 **638** _____General tax reduction from amount U on page 5 **639** _____Federal logging tax credit from Schedule 21 **640** _____Federal political contribution tax credit **644** _____Federal political contributions **646** _____Federal qualifying environmental trust tax credit **648** _____Investment tax credit from Schedule 31 **652** _____

Subtotal _____ F

Part I tax payable – Line E **minus** line F (enter amount G on line 700 of page 8) _____ G

Summary of tax and credits**Federal tax**

Part I tax payable from page 7	700	
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	690
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		690

Add provincial or territorial tax:

Provincial or territorial jurisdiction	750	Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)		
Net provincial or territorial tax payable (except Quebec, Ontario, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	
Total tax payable	770	690 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	690
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Allowable refund for non-resident-owned investment corporations from Schedule 26	804	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Royalties deductible under Syncrude Remission Order	815	
Tax remitted under Syncrude Remission Order	816	
Tax instalments paid	840	
Total credits	890	690 B

Refund code **894** 1 Overpayment **890** 690 Balance (line A minus line B) **890** 690

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information **910** Branch number
914 Institution number **918** Account number

If the result is negative, you have an **overpayment**.
 If the result is positive, you have a **balance unpaid**.
 Enter the amount on whichever line applies.
 Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid **898**
 Enclosed payment **898**

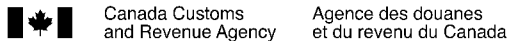
If the corporation is a Canadian-controlled private corporation throughout the taxation year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes ☐ 2 No ☒

Certification

I, **950** PEEVER **951** ROSS **954** PRESIDENT
 Last name First name Position, office, or rank
 am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.
955 Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation **956** (905) 732-1381 Telephone number
 Is the contact person the same as the authorized signing officer? If No, complete the information below **957** 1 Yes ☒ 2 No ☐
958 Name **959** Telephone number

Language of correspondence – Langue de correspondance

990 Indicate the language in which you would like to receive correspondence. 1 English / Anglais ☒ 2 Français / French ☐
 Indiquer la langue de correspondance de votre choix.



GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 100

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

Identification of the imported corporation from the GIFI file

Name of the corporation . . .

Balance Sheet

Account	Description	GIFI	Amount	Prior year
Assets				
	Total current assets	1599 +	37,019,745	34,402,004
	Total tangible capital assets	2008 +		
	Total accumulated amortization of tangible capital assets	2009 –		
	Total intangible capital assets	2178 +		
	Total accumulated amortization of intangible capital assets	2179 –		
	Total long-term assets	2589 +		
	* Assets held in trust	2590 +		
	Total assets (mandatory field)	2599 =	37,019,745	34,402,004

Liabilities				
	Total current liabilities	3139 +		
	Total long-term liabilities	3450 +		
	* Subordinated debt	3460 +		
	* Amounts held in trust	3470 +		
	Total liabilities (mandatory field)	3499 =	22,941,104	34,095,313

Shareholder equity				
	Total shareholder equity (mandatory field)	3620 +	14,078,641	306,691

	Total liabilities and shareholder equity	3640 =	37,019,745	34,402,004
--	---	--------	------------	------------

Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849 =	495,303	543,468

* Generic item

Shareholder Equity

Form identifier 3620

Account	Description	GIFI	Amount	Prior year
	* Common shares	3500	+ 12,953,180	
	* Preferred shares	3520	+	
Contributed and other surplus				
	* Contributed and other surplus	3540	630,158	
	Contributed surplus	3541		
	Appraisal surplus	3542		
	General reserve	3543		
	Contributed and other surplus		+ 630,158	
	* Head office account	3570	+	
	* Retained earnings/deficit	3600	+ 495,303	306,691
	Total shareholder equity	3620	= 14,078,641	306,691

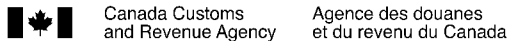
* Generic item

Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Amount	Prior year
	* Retained earnings/deficit – start	3660	543,468	
	* Net income/loss	3680	51,835	306,691
Dividends declared				
	* Dividends declared	3700	100,000	
	Cash dividends	3701		
	Patronage dividends	3702		
	Dividends declared		100,000	
	* Prior period adjustments	3720		
Other items affecting retained earnings				
	* Other items affecting retained earnings	3740		
	Share redemptions	3741		
	Special reserves	3742		
	Currency adjustments	3743		
	Unusual revenue items	3744		
	Interfund transfer	3745		
	Other items affecting retained earnings			
	Retained earnings/deficit – end	3849	495,303	306,691

* Generic item



GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

Income Statement

Description	GIFI
Operating name	0001
Description of the operation . .	0002
Sequence Number	0003 01

Account	Description	GIFI	Amount	Prior year
Income statement information				
	Total sales of goods and services	8089 +	43,681,399	38,048,095
	Cost of sales	8518 -	38,455,068	
	Gross profit/loss	8519 =	5,226,331	38,048,095
	Cost of sales	8518 +	38,455,068	
	Total operating expenses	9367 +	5,786,953	
	Total expenses (mandatory field)	9368 =	44,242,021	
	Total revenue (mandatory field)	8299 +	44,293,856	38,048,095
	Total expenses (mandatory field)	9368 -	44,242,021	
	Net non-farming income	9369 =	51,835	38,048,095
Farming income statement information				
	Total farm revenue (mandatory field)	9659 +		
	Total farm expenses (mandatory field)	9898 -		
	Net farm income	9899 =		
	Net income/loss before taxes and extraordinary items	9970 =	51,835	38,048,095

Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975 -		
	Legal settlements	9976 -		
	Unrealized gains/losses	9980 +		
	Unusual items	9985 -		
	Current income taxes	9990 -		
	Deferred income tax provision	9995 -		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999 =	51,835	306,691

Revenue

Form identifier 8299

Account	Description	GIFI	Amount	Prior year
	* Trade sales of goods and services	8000	+	
	* Sales of goods and services to related parties	8020	+	
	* Interdivisional sales	8030	+	
Sales from resource properties				
	* Sales from resource properties	8040		
	Petroleum and natural gas sales	8041		
	Petroleum and natural gas sales to related parties	8042		
	Gas marketing	8043		
	Processing revenue	8044		
	Pipeline revenue	8045		
	Seismic sales	8046		
	Mining revenue	8047		
	Coal revenue	8048		
	Oil sands revenue	8049		
	Royalty income	8050		
	Oil and gas partnership/joint venture income/loss	8051		
	Mining partnership/joint venture income/loss	8052		
	Other production revenue	8053		
	Sales from resource properties		+	
	Total sales of goods and services	8089	=	43,681,399
				38,048,095
Investment revenue				
	* Investment revenue	8090		
	Interest from foreign sources	8091		
	Interest from Canadian bonds and debentures	8092		
	Interest from Canadian mortgage loans	8093		
	Interest from other Canadian sources	8094		
	Dividend income	8095		
	Dividends from Canadian sources	8096		
	Dividends from foreign sources	8097		
	Investment revenue		+	
Interest income (financial institutions)				
	* Interest income (financial institutions)	8100		
	Loan interest	8101		
	Securities interest	8102		
	Deposits with banks interest	8103		
	Interest income (financial institutions)		+	
Commission revenue				
	* Commission revenue	8120		
	Commission income on real estate transactions	8121		
	Commission revenue		+	

Rental revenue

* Rental revenue	8140		
Real estate rental revenue	8141		
Film rental revenue	8142		
Rental revenue		+	

* Vehicle leasing	8150	+	
-------------------	------	---	--

Fishing revenue

* Fishing revenue	8160		
Fish products	8161		
Other marine products	8162		
Fishing grants, credits, and rebates	8163		
Fishing subsidies	8164		
Compensation for loss of fishing income or property	8165		
Sharesman income	8166		
Fishing revenue		+	

Realized gains/losses on disposal of assets

* Realized gains/losses on disposal of assets	8210		
Realized gains/losses on sale of investments	8211		
Realized gains/losses on sale of resource properties	8212		
Realized gains/losses on disposal of assets		+	

NPO amounts received

* Non-Profit organizations amounts received	8220		
Membership fees	8221		
Assessments	8222		
Gifts	8223		
Gross sales and revenues from organizational activities	8224		
NPO amounts received		+	

Other revenue

* Other revenue	8230	612,457	
Foreign exchange gains/losses	8231		
Income/loss of subsidiaries/affiliates	8232		
Income/loss of other divisions	8233		
Income/loss of joint ventures	8234		
Income/loss of partnerships	8235		
Realization of deferred revenues	8236		
Royalty income other than resource	8237		
Alberta royalty tax credits	8238		
Management and administration fees	8239		
Telecommunications revenue	8240		
Consulting fees	8241		
Subsidies and grants	8242		
Sale of by-products	8243		
Deposit services	8244		
Credit services	8245		
Card services	8246		
Patronage dividends	8247		
Insurance recoveries	8248		
Expense recoveries	8249		
Bad debt recoveries	8250		
Other revenue		+	612,457

Total revenue	8299	=	44,293,856	38,048,095
----------------------	-------------	---	------------	------------

* Generic item

Cost of Sales

Form identifier 8518

Account	Description	GIFI	Amount	Prior year
Opening inventory				
	* Opening inventory	8300		
	Opening inventory – finished goods	8301		
	Opening inventory – raw materials	8302		
	Opening inventory – goods in process	8303		
	Opening inventory		+	
	* Purchases/cost of materials	8320	+	38,455,068
	* Direct wages	8340	+	
	* Benefits on direct wages	8350	+	
	* Trades and sub-contracts	8360	+	
	* Production costs other than resource	8370	+	
Resource production costs				
	* Resource production costs	8400		
	Pipeline operations	8401		
	Drilling	8402		
	Site restoration costs	8403		
	Gross overriding royalty	8404		
	Freehold royalties	8405		
	Other producing properties rental	8406		
	Prospect/geological	8407		
	Well operating, fuel and equipment	8408		
	Well abandonment and dry holes	8409		
	Other lease rentals	8410		
	Exploration expenses	8411		
	Development expenses	8412		
	Resource production costs		+	
Crown charges				
	* Crown charges	8435		
	Crown royalties	8436		
	Crown lease rentals	8437		
	Freehold mineral tax	8438		
	Mining taxes	8439		
	Oil sand leases	8440		
	Saskatchewan resource surcharge	8441		
	Crown charges		+	

Other direct costs

* Other direct costs	8450		
Equipment hire and operation	8451		
Log yard	8452		
Forestry costs	8453		
Logging road costs	8454		
Stumpage costs	8455		
Royalty costs	8456		
Freight in and duty	8457		
Inventory write down	8458		
Direct cost amortization of tangible assets	8459		
Direct cost amortization of natural resource assets	8460		
Overhead expenses allocated to cost of sales	8461		
Other direct costs		+	

Closing inventory

* Closing inventory	8500		
Closing inventory – finished goods	8501		
Closing inventory – raw materials	8502		
Closing inventory – goods in process	8503		
Closing inventory		-	

Cost of sales

8518 = 38,455,068

* Generic item

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 141****NOTES CHECKLIST**

Corporation's name	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- This schedule should be completed from the perspective of the person who prepared or reported on the **financial statements**. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation – Income Tax Guide*.
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

Part 1 – Accounting practitioner information

Does the accounting practitioner have a professional designation? **095** 1 Yes ☒ 2 No ☐

Is the accounting practitioner connected* with the corporation? **097** 1 Yes ☐ 2 No ☒

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note

If the accounting practitioner does not have a professional designation **or** is connected with the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4.

Part 2 – Type of involvement

Choose the option that represents the highest level of involvement of the accounting practitioner: **198**

Completed an auditor's report 1 ☒

Completed a review engagement report 2 ☐

Conducted a compilation engagement 3 ☐

Part 3 – Reservations

If you selected option "1" or "2" under **Type of involvement** above, answer the following question:

Has the accounting practitioner expressed a reservation? **099** 1 Yes ☐ 2 No ☒

Part 4 – Other information

Were notes to the financial statements prepared? **101** 1 Yes ☒ 2 No ☐

If Yes, complete lines 102 to 107 below:

Are any values presented at other than cost? **102** 1 Yes ☐ 2 No ☒

Has there been a change in accounting policies since the last return? **103** 1 Yes ☐ 2 No ☒

Are subsequent events mentioned in the notes? **104** 1 Yes ☐ 2 No ☒

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes ☐ 2 No ☒

Is contingent liability information mentioned in the notes? **106** 1 Yes ☒ 2 No ☐

Is information regarding commitments mentioned in the notes? **107** 1 Yes ☒ 2 No ☐

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes ☐ 2 No ☒

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? **109** 1 Yes ☐ 2 No ☐

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 1****NET INCOME (LOSS) FOR INCOME TAX PURPOSES**

Corporation's name	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Net income (loss) after taxes and extraordinary items per financial statements 51,835 A

Add:

Amortization of tangible assets	104	1,493,388	
Charitable donations from Schedule 2	112	3,406	
Non-deductible meals and entertainment expenses	121	3,295	
Tax reserves deducted in prior year from Schedule 13	125	672,871	
Reserves from financial statements – balance at the end of the year	126	2,041,529	
Subtotal of additions		4,214,489	4,214,489

Other additions:**Miscellaneous other additions:**

600 Opening adjustment to Financial Statement income	290	1,556,424	
603b Ontario Specified Tax Credits			
Total	292		
Subtotal of other additions	293	292	
	199	1,556,716	1,556,716
Total additions	500	5,771,205	5,771,205

Deduct:

Gain on disposal of assets per financial statements	401	8,461	
Capital cost allowance from Schedule 8	403	1,164,924	
Cumulative eligible capital deduction from Schedule 10	405	152,822	
Tax reserves claimed in current year from Schedule 13	413	994,804	
Reserves from financial statements – balance at the beginning of the year	414	2,120,898	
Subtotal of deductions		4,441,909	4,441,909

Other deductions:**Miscellaneous other deductions:**

700 Closing adjustment to financial statement income	390	618,265	
702 2005 T5013 Income from Ennerconnect Limited	392	1,006	
Subtotal of other deductions	499	619,271	619,271
Total deductions	510	5,061,180	5,061,180

Net income (loss) for income tax purposes – enter on line 300 of the T2 return **761,860**

Attached Schedule with Total

Line 290 – Amount for line 600

Title Opening adjustment to financial statement income

Description	Amount	
Demand Side Management	9,026	00
Market Ready Costs	267,578	00
Retail Service Variances	1,279,820	00
Total	1,556,424	00

Attached Schedule with Total

Line 390 – Amount for line 700

Title Closing adjustment to financial statement income

Description	Amount
Demand Side Management	-331,930 00
Market Ready Costs	299,633 00
Retail Service Variances	650,562 00
Total	618,265 00

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 2****CHARITABLE DONATIONS AND GIFTS**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- For use by corporations to claim any of the following:
 - charitable donations;
 - gifts to Canada, a province, or a territory;
 - gifts of certified cultural property;
 - gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the windup of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, proposed subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
 - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the change of control.
 - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount (\$100 or more only)		
Welland Festival of Arts c/o Welland Museum			300
Welland and District Humane Society			100
Computers for Schools - Ontario			2,336
Welland District Community Living			100
Women's Place of South Niagara Inc.			345
		Subtotal	3,181
		Add: Total donations of less than \$100 each	225
		Total donations in current taxation year	3,406
	Federal	Quebec	Alberta
Charitable donations at the end of the preceding taxation year			
Deduct: Charitable donations expired after five taxation years 239			
Charitable donations at the beginning of the taxation year . . . 240			
Add:			
Charitable donations transferred on an amalgamation or the windup of a subsidiary 250			
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1) . . . 210 3,406			
Subtotal (line 250 plus line 210) 3,406	3,406	3,406	3,406
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004) 255			
Total charitable donations available 3,406 A	3,406	3,406	3,406
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return) 260 3,406	3,406	3,406	3,406
Charitable donations closing balance 280			

Amounts carried forward – Charitable donations

Year of origin:		Federal	Quebec	Alberta
1 st prior year	2004			
2 nd prior year	2003			
3 rd prior year	2002			
4 th prior year	2001			
5 th prior year	2000			
6 th prior year *	1999			
Total (to line A)				

* These donations expired in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * multiplied by 75 %		571,395	B
Taxable capital gains arising in respect of gifts of capital property			
– lines 895 and 896 of Schedule 6, multiplied by the inclusion rate			
– other			
	Total	225	C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)		227	D
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of disposition, less outlays and expenses		E	
Capital cost		F	
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less		G	
	Subtotal (add amounts C, D, and G)	H	
	Amount H multiplied by 25 %	I	
	Subtotal (amount B plus amount I)	571,395	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		3,406	K

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the preceding taxation year			
Deduct: Gifts to Canada, a province, or a territory expired after five taxation years	339		
Gifts to Canada, a province, or a territory at the beginning of the taxation year	340		
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current year gifts made to Canada, a province, or a territory *	310		
	Subtotal (line 350 plus line 310)		
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355		
Total gifts to Canada, a province, or a territory available			
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360		
Gifts to Canada, a province, or a territory closing balance	380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If the taxation year straddles February 18, 1997, and gifts were made after this date, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

	Federal	Quebec	Alberta
Gifts of certified cultural property at the end of the preceding taxation year			
Deduct: Gifts of certified cultural property expired after five taxation years	439		
Gifts of certified cultural property at the beginning of the taxation year	440		
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
Subtotal (line 450 plus line 410)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Quebec	Alberta
1 st prior year	2004			
2 nd prior year	2003			
3 rd prior year	2002			
4 th prior year	2001			
5 th prior year	2000			
6 th prior year *	1999			
Total				

* These donations expired in the current year.

Part 5 – Gifts of certified ecologically sensitive land

	Federal	Quebec	Alberta
Gifts of certified ecologically sensitive land at the end of the preceding taxation year			
Deduct: Gifts of certified ecologically sensitive land expired after five taxation years	539		
Gifts of certified ecologically sensitive land at the beginning of the taxation year	540		
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550		
Total current-year gifts of certified ecologically sensitive land	510		
Subtotal (line 550 plus line 510)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555		
Total gifts of certified ecologically sensitive land available			
Deduct: Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560		
Gifts of certified ecologically sensitive land closing balance	580		

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Quebec	Alberta
1 st prior year	2004			
2 nd prior year	2003			
3 rd prior year	2002			
4 th prior year	2001			
5 th prior year	2000			
6 th prior year *	1999			
Total				

* These donations expired in the current year.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND
PART IV TAX CALCULATION****SCHEDULE 3**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- This schedule is for the use of any corporation to report:
 - non-taxable dividends under section 83;
 - deductible dividends under subsection 138(6);
 - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
 - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
 - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
 - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.

Part 1 – Dividends received during the taxation year**Do not include dividends received from foreign non-affiliates.**

Complete if payer corporation is connected

Name of payer corporation (Use only one line per corporation, abbreviating its name if necessary)		A	B	C Business Number	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD
200			205	210	220
1	Sunlife Canada (T5)			NR	2005-12-31
2					

Note: If your corporation's taxation year end is different than that of the connected payer corporation, your corporation could have received dividends from more than one taxation year of the payer corporation. If so, use a separate line to provide the information for each taxation year of the payer corporation.

		If payer corporation is not connected, leave these columns blank.				
E Non-taxable dividend under section 83	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)	G Total taxable dividends paid by connected payer corporation	H Dividend refund of the connected payer corporation	I Part IV tax before deductions F x 1 / 3 *		
230	240	250	260	270		
1	2,069			690		
2						
Total (enter amount of column F on line 320 of the T2 return)						J
	2,069			690		

For dividends received from connected corporations: Part IV tax equals: $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$

* Life insurers are not subject to Part IV tax on subsection 138(6) dividends.
Public corporations (other than subject corporations) do not need to calculate Part IV tax.

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)	690
Deduct:	
Part IV.I tax payable on dividends subject to Part IV tax	320
Subtotal	690
Deduct:	
Current-year non-capital loss claimed to reduce Part IV tax	330
Non-capital losses from previous years claimed to reduce Part IV tax	335
Current-year farm loss claimed to reduce Part IV tax	340
Farm losses from previous years claimed to reduce Part IV tax	345
Total losses applied against Part IV tax	$\times 1 / 3 =$
Part IV tax payable (enter amount on line 712 of the T2 return)	360 690

Part 3 – Taxable dividends paid in the taxation year for purposes of a dividend refund

A	B	C	D
Name of connected recipient corporation	Business Number	Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations
400	410	420	430
1 Welland Hydro-Electric Holding Corp	86360 4328 RC0001	2005-12-31	100,000
2			

Note

If your corporation's taxation year end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one taxation year of the recipient corporation. If so, use a separate line to provide the information for each taxation year of the recipient corporation.

Total 100,000

Total taxable dividends paid in the taxation year to other than connected corporations	450
Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450)	460 100,000

Part 4 – Total dividends paid in the taxation year

Complete this part if the total taxable dividends paid in the taxation year for purposes of a dividend refund (line 460 above) is different from the total dividends paid in the taxation year.

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above)	460 100,000
Other dividends paid in the taxation year (total of 510 to 540)	
Total dividends paid in the taxation year	500 100,000

Deduct:

Dividends paid out of capital dividend account	510
Capital gains dividends	520
Dividends paid on shares described in subsection 129(1.2)	530
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	540
Subtotal	
Total taxable dividends paid in the taxation year for purposes of a dividend refund	100,000

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 4****CORPORATION LOSS CONTINUITY AND APPLICATION**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- For use by a corporation to determine the continuity and use of available losses; to determine the current-year non-capital loss, farm loss, restricted farm loss, and limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that may be applied in a year; and to request a loss carryback to previous years.
- The corporation can choose whether or not to deduct an available loss from income in a taxation year. It can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- For information on these losses, see the *T2 Corporation Income Tax Guide*.
- File one completed copy of this schedule with the T2 return, or send it by itself to the tax centre where the return is filed.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.

Part 1 – Non-capital losses**Determination of current-year non-capital loss**

Net income (loss) for income tax purposes	761,860
Deduct: (increase a loss)	
Net capital losses deducted in the year (enter as a positive amount)	
Taxable dividends deductible under sections 112, 113, or subsection 138(6)	2,069
Amount of Part VI.1 tax deductible	
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)	2,069
Subtotal (if positive, enter "0")	
Deduct: (increase a loss)	
Section 110.5 and/or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions	
Subtotal	
Add: (decrease a loss)	
Current-year farm loss	
Current-year non-capital loss (if positive, enter "0")	

Continuity of non-capital losses and request for a carryback

Non-capital loss at the end of preceding taxation year	1,142,157
Deduct: Non-capital loss expired *	100
Non-capital losses at beginning of taxation year	1,142,157
Add: Non-capital losses transferred on an amalgamation or the windup of a subsidiary corporation	105
Current-year non-capital loss (from calculation above)	110
Subtotal	1,142,157
Deduct:	
Amount applied against taxable income (enter on line 331 of the T2 return)	130
Amount applied against taxable dividends subject to Part IV tax	135
Section 80 – Adjustments for forgiven amounts	140
Subsection 111(10) – Adjustments for fuel tax rebate	
Other adjustments	150
Subtotal	756,385
Deduct – Request to carry back non-capital loss to:	
First preceding taxation year to reduce taxable income	901
Second preceding taxation year to reduce taxable income	902
Third preceding taxation year to reduce taxable income	903
First preceding taxation year to reduce taxable dividends subject to Part IV tax	911
Second preceding taxation year to reduce taxable dividends subject to Part IV tax	912
Third preceding taxation year to reduce taxable dividends subject to Part IV tax	913
Non-capital losses – Closing balance	180
Subtotal	385,772

* A non-capital loss expires as follows:

- After **7** taxation years if it arose in a taxation year ending before March 23, 2004;
or
- After **10** taxation years if it arose in a taxation year ending after March 22, 2004.

Election under paragraph 88(1.1)(f)

Paragraph 88(1.1)(f) election indicator	190 Yes <input type="checkbox"/>
Loss from a wholly owned subsidiary deemed to be a loss of the parent from its immediately preceding taxation year.	

Part 2 – Capital losses**Continuity of capital losses and request for a carryback**

Capital losses at end of preceding taxation year	200	
Capital losses transferred on an amalgamation or the windup of a subsidiary corporation	205	
Current-year capital loss (from Schedule 6 calculation)	210	
Add:		
Allowable business investment loss expired as non-capital loss	x 4/3	220
		Subtotal
Deduct:		
Amount applied against current-year capital gain (see Note 1)	225	
Section 80 – Adjustments for forgiven amounts	240	
Other adjustments	250	
		Subtotal
Deduct – Request to carry back capital loss to: (see Note 2)		
	Capital gain (100%)	Amount carried back (100%)
First preceding taxation year	951	
Second preceding taxation year	952	
Third preceding taxation year	953	
Capital losses – Closing balance		280

Note 1

On line 332 of the T2 return, enter the amount from line 225 multiplied by 50%.

Note 2

Enter on lines 225, 951, 952, or 953, whichever applies, the actual amount of the loss. At the time of the application of the loss carryback, the net capital loss amount will be calculated at the inclusion rate of the year to which the net capital loss is applied.

Part 3 – Farm losses**Continuity of farm losses and request for a carryback**

Farm losses at end of preceding taxation year	
Deduct: Farm loss expired after 10 taxation years	300
Farm losses at beginning of taxation year	302
Add: Farm losses transferred on an amalgamation or the windup of a subsidiary corporation	305
Current-year farm loss	310
Deduct:	
Amount applied against taxable income (enter on line 334 of the T2 return)	330
Amount applied against taxable dividends subject to Part IV tax	335
Section 80 – Adjustments for forgiven amounts	340
Other adjustments	350
	Subtotal
Deduct – Request to carry back farm loss to:	
First preceding taxation year to reduce taxable income	921
Second preceding taxation year to reduce taxable income	922
Third preceding taxation year to reduce taxable income	923
First preceding taxation year to reduce taxable dividends subject to Part IV tax ..	931
Second preceding taxation year to reduce taxable dividends subject to Part IV tax	932
Third preceding taxation year to reduce taxable dividends subject to Part IV tax ..	933
Farm losses – Closing balance	380

Part 4 – Restricted farm losses**Current-year restricted farm loss**

Total losses for the year from farming business	485	A
Minus the deductible farm loss:		
\$2,500 plus B or C, whichever is less	\$	2,500
(Amount A above _____ – \$2,500) divided by 2 =	B	
\$	6,250	C
Current-year restricted farm loss (enter this amount on line 410 of page 3)		2,500

Part 4 – Restricted farm losses (continued)**Continuity of restricted farm losses and request for a carryback**

Restricted farm losses at end of preceding taxation year	.....	
Deduct: Restricted farm loss expired after 10 taxation years	.....	400	
Restricted farm losses at beginning of taxation year	.....	402	
Add: Restricted farm losses transferred on an amalgamation or the windup of a subsidiary corporation	.....	405	
Current-year restricted farm loss (enter on line 233 of Schedule 1)	.....	410	
Deduct:			
Amount applied against farming income (enter on line 333 of the T2 return)	....	430	
Section 80 – Adjustments for forgiven amounts	.....	440	
Other adjustments	.....	450	
			Subtotal
Deduct – Request to carry back restricted farm loss to:			
First preceding taxation year to reduce farming income	.....	941	
Second preceding taxation year to reduce farming income	.....	942	
Third preceding taxation year to reduce farming income	.....	943	
Restricted farm losses – Closing balance	.....		480
Note			
The total losses for the year from all farming businesses are calculated without including scientific research expenses.			

Part 5 – Listed personal property losses**Continuity of listed personal property loss and request for a carryback**

Listed personal property losses at end of preceding taxation year	.....	
Deduct: Listed personal property loss expired after seven taxation years	.....	500	
Listed personal property losses at beginning of taxation year	.....	502	
Add: Current-year listed personal property loss (from Schedule 6)	.....	510	
			Subtotal
Deduct:			
Amount applied against listed personal property gains (enter on line 655 of Schedule 6)	.....	530	
Other adjustments	.....	550	
			Subtotal
Deduct – Request to carry back listed personal property loss to:			
First preceding taxation year to reduce listed personal property gains	.....	961	
Second preceding taxation year to reduce listed personal property gains	.....	962	
Third preceding taxation year to reduce listed personal property gains	.....	963	
Listed personal property losses – Closing balance	.....		580

Part 7 – Limited partnership losses

Current-year limited partnership losses						
1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Corporation's share of limited partnership loss	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, farming losses, and resource expenses	Column 4 minus column 5 If negative, enter "0".	Current-year limited partnership losses Column 3 - 6
600	602	604	606	608		620

Total (enter this amount on line 222 of Schedule 1)

Limited partnership losses from prior taxation years that may be applied in the current year						
1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Limited partnership losses at end of preceding taxation year	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, business or property losses, and resource expenses	Column 4 minus column 5 If negative, enter "0".	Limited partnership losses that may be applied in the year The lesser of columns 3 and 6
630	632	634	636	638		650

Continuity of limited partnership losses that can be carried forward to future taxation years						
Partnership identifier	Limited partnership losses at end of preceding taxation year	Limited partnership losses transferred on an amalgamation or the windup of a subsidiary	Current-year limited partnership losses (from column 620)	Limited partnership losses applied (cannot exceed column 650)	Limited partnership losses closing balance (662 + 664 + 670 - 675)	
660	662	664	670	675	680	

Total (enter this amount on line 335 of the T2 return)

Non-Capital Loss Continuity Workchart

Part 6 – Analysis of balance of losses by year of origin

Non-capital losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2004		N/A		N/A			
2003	922,953	N/A		N/A	537,181		385,772
2002		N/A		N/A			
2001	219,204	N/A		N/A	219,204		
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			*
Total	1,142,157				756,385		385,772

Farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			
1997		N/A		N/A			
1996		N/A		N/A			
1995		N/A		N/A			*
Total							

Restricted farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A	N/A	
2004		N/A		N/A		N/A	
2003		N/A		N/A		N/A	
2002		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2000		N/A		N/A		N/A	
1999		N/A		N/A		N/A	
1998		N/A		N/A		N/A	
1997		N/A		N/A		N/A	
1996		N/A		N/A		N/A	
1995		N/A		N/A		N/A	*
Total						N/A	

* This balance expires this year and will not be available next year.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 7****CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- This schedule is for the use of Canadian-controlled private corporations to calculate:
 - foreign investment income and aggregate investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act*;
 - income from an active business carried on in Canada for the small business deduction; and
 - specified partnership income for members of one or more partnership(s).
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation Income Tax Guide*.

Part 1 – Foreign and aggregate investment income calculation

	Canadian investment income	Foreign investment income	Aggregate investment income	
The eligible portion of taxable capital gains included in income for the year		001	002	A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		009	012	B
Net capital losses of other years claimed on line 332 on the T2 return			022	C
Total of amounts B and C				D
Amount A minus amount D (if negative, enter "0")				E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends	2,069		2,069	
Other property income				
Total income from property	2,069	019	032	F
Exempt income		029	042	G
Amounts received from NISA Fund No. 2 (CAIS) that were included in computing the corporation's income for the year			052	H
Taxable dividends deductible from Schedule 3, and taxable dividends deductible under paragraph 113(1)(d) and subsection 113(2)	2,069	049	062	I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		059	072	J
Total of amounts G, H, I, and J	2,069		2,069	K
Amount F minus amount K				L
Total of amount E plus amount L				M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)		069	082	N
Amount M minus amount N (if negative, enter "0")		079 O	092 P	

Note: The aggregate investment income is the aggregate world source income.

Enter amount O, foreign investment income, on line 445 of the T2 return.

Enter amount P, aggregate investment income, on line 440 of the T2 return.

Part 4 – Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return			761,860	P
Deduct: Foreign business income after deducting related expenses*	500			
Taxable capital gains minus allowable capital loss – amount A minus amount B* (page 1)**				
Net property income = amount F minus amount G, H, and N* (page 1)		2,069	Q	
Personal services business income after deducting related expenses*	520			
		2,069	►	2,069
		Net amount	759,791	R
Deduct: Partnership income (line 450 above)				S
Income from active business carried on in Canada (enter on line 400 of the T2 return – if negative, enter "0")			759,791	T

* If negative, **add** instead of **subtracting**.
**This amount may only be negative to the extent of any allowable business investment losses.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 8****CAPITAL COST ALLOWANCE (CCA)**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

1 Class number	2 Undepreciated capital cost at the beginning of the year	3 Cost of acquisitions during the year*	4 Net adjustments	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)**	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance (amount on line 107 of Schedule 1)	11 Terminal loss (amount on line 404 of Schedule 1)	12 Capital cost allowance (column 8 multiplied by column 9; or a lower amount) (amount on line 403 of Schedule 1)***	13 Undepreciated capital cost at the end of the year (column 6 minus column 12)
200	201	203	205	207		211		212	213	215	217	220
1	1	2,486,183	171,293	0	2,657,476	85,647	2,571,829	4	0	0	102,873	2,554,603
2	1	5,319,567		0	5,319,567		5,319,567	4	0	0	212,783	5,106,784
3	1	9,181,661	1,242,024	0	10,273,015	621,012	9,652,003	4	0	0	386,080	9,886,935
4	1	3,040,078	261,549	0	3,277,276	130,775	3,146,501	4	0	0	125,860	3,151,416
5	1	1,424,781	44,645	0	1,469,426	22,323	1,447,103	4	0	0	57,884	1,411,542
6	8	255,569	38,661	34,110	260,120	2,276	257,844	20	0	0	51,569	208,551
7	10	355,335	53,723	1,911	407,147	25,906	381,241	30	0	0	114,372	292,775
8	12	58,051	90,511	0	148,562	45,256	103,306	100	0	0	103,306	45,256
9	45		45,323	0	45,323	22,662	22,661	45	0	0	10,197	35,126
Total		22,121,225	1,947,729	-175,021	36,021	23,857,912	955,857	22,902,055			1,164,924	22,692,988

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

*** If the taxation year is shorter than 365 days, prorate the CCA claim.
See the *T2 Corporation Income Tax Guide* for more information.

Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return

Tax return

Additions for tax purposes – Schedule 8 regular classes		1,947,729	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+		
less contributions 175,021	+	-175,021	
Total additions per books	=	1,772,708	1,772,708
Proceeds up to original cost – Schedule 8 regular classes		36,021	
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
Add land purchased 2,547 (double negative to add)	+	-2,547	
Total proceeds per books	=	33,474	33,474
Depreciation and amortization per accounts – Schedule 1			1,493,388
Loss on disposal of fixed assets per accounts			
Gain on disposal of fixed assets per accounts	+		8,461
Net change per tax return	=		254,307

Financial statements

Fixed assets (excluding land) per financial statements

Closing net book value		18,957,811
Opening net book value	–	18,703,497
Net change per financial statements	=	254,314

If the amounts from the tax return and the financial statements differ, explain why below

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporations(s)

	Name 100	Country of residence (if other than Canada) 200	Business Number (Canadian corporation only) (see note 1) 300	Relation-ship code (see note 2) 400	Number of common shares owned 500	% of common shares owned 550	Number of preferred shares owned 600	% of preferred shares owned 650	Book value of capital stock 700
1.	WELLAND HYDRO-ELECTRIC HOLDI		86360 4328 RC0001	1					
2.	WELLAND HYDRO ELECTRIC RETAI		86375 9494 RC0001	3					
3.	City of Welland		NR	3					

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1 – Parent 2 – Subsidiary 3 – Associated 4 – Related, but not associated.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 10****CUMULATIVE ELIGIBLE CAPITAL DEDUCTION**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")	200	2,183,166	A
Add: Cost of eligible capital property acquired during the taxation year	222		
Other adjustments	226		
Subtotal (line 222 plus line 226)		x 3 / 4 =	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	x 1 / 2 =	C
amount B minus amount C (if negative, enter "0")			D
Amount transferred on amalgamation or wind-up of subsidiary	224		E
Subtotal (add amounts A, D, and E)	230	2,183,166	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
Other adjustments	246		I
(add amounts G, H, and I)		x 3 / 4 =	J
Cumulative eligible capital balance (amount F minus amount J)		2,183,166	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)			
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
amount K		2,183,166	
less amount from line 249			
Current year deduction		2,183,166 x 7.00 % =	250 152,822 *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		152,822	L 152,822
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")	300	2,030,344	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)	_____	N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400 _____	1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	401 _____	2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402 _____	3
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408 _____	4
Line 3 minus line 4 (if negative, enter "0")	_____ ▶	5
Total of lines 1, 2 and 5	_____	6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400	_____	7
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	_____	8
Subtotal (line 7 plus line 8)	409 _____ ▶	9
Line 6 minus line 9 (if negative, enter "0")	_____ ▶	O
Line N minus line O (if negative, enter "0")	_____	P
	Line 5 _____ x 1 / 2 =	Q
Line P minus line Q (if negative, enter "0")	_____	R
	Amount R _____ x 2 / 3 =	S
Amount N or amount O, whichever is less	_____	T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410 _____	

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 13****CONTINUITY OF RESERVES**

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- References to parts, sections, subsections, paragraphs, and subparagraphs are from the federal *Income Tax Act*.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Capital gains reserves

Description of property	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
001	002	003			004
1					
	008	009			010
Totals					

The total capital gains reserve at the beginning of the taxation year plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary should be entered on line 880, and the total capital gains reserve at the end of the taxation year, should be entered on line 885 of Schedule 6.

Financial statement reserves (not deductible)

Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1					
2 PILs deferred revenue reserv	52,529			115,955	-63,426
3 Pension Liability	1,395,498		46,584		1,442,082
4					
Reserves from Section 2 below	672,871			9,998	662,873
Totals	2,120,898		46,584	125,953	2,041,529

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

Part 2 – Other reserves

Description	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input checked="" type="checkbox"/>	110 672,871	115		9,998	120 662,873
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	130	135	331,931		140 331,931
Reserve for prepaid rent <input type="checkbox"/>	150	155			160
Reserve for December 31, 1995 income <input type="checkbox"/>	170	175			180
Reserve for refundable containers <input type="checkbox"/>	190	195			200
Reserve for unpaid amounts <input type="checkbox"/>	210	215			220
Insurance corporation policy reserves <input type="checkbox"/>					
Bank reserves <input type="checkbox"/>					
Other tax reserves <input type="checkbox"/>	230	235			240
Totals	270 672,871	275	331,931	9,998	280 994,804

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1 as an addition.
The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada**SCHEDULE 23****AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO
ALLOCATE THE BUSINESS LIMIT**

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one taxation year ending in a calendar year, is required to file an agreement for each taxation year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group, including non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act*, not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the code that applies to each corporation:

- 1 - associated for purposes of allocating the business limit (unless association code 5 applies)
- 2 - CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 - non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 - associated non-CCPC
- 5 - associated CCPC that is not associated for purposes of allocating the business limit because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group that is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 times the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A is equal to an amount in one of the following ranges, whichever applies:

- from \$200,001 to \$225,000, if the calendar year to which this agreement applies is 2003;
- from \$225,001 to \$250,000, if the calendar year to which this agreement applies is 2004; or
- from \$250,001 to \$300,000, if the calendar year to which this agreement applies is 2005.

If the calendar year to which this agreement applies is after 2005, ensure that the total at line A does not exceed \$300,000.

Allocation of the business limit

Date filed (do not use this area) **025** Year Month Day

Enter the calendar year to which the agreement applies **050** Year

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? **075** 1 Yes ☐ 2 No ☒

	1 Names of associated corporations	2 Business Number of associated corporations	3 Asso- ciation code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	100	200	300		350	400
	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	1	300,000	100.0000	300,000
1	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	1	300,000		
2	WELLAND HYDRO ELECTRIC RETAIL CORP.	86375 9494 RC0001	1	300,000		
3	City of Welland	NR	4	300,000		
	Total				100.0000	300,000 A

Business limit reduction under subsection 125(5.1)

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the amounts used in this calculation is the "Large corporation tax" at line 415 of the T2 return. If the corporation is a member of an associated group*** of corporations in the current taxation year, and that taxation year:

- starts before December 21, 2002, the amount at line 415 of the T2 return is equal to the gross Part I.3 tax of each corporation in the associated group*** for its last taxation year ending in the preceding calendar year. The gross Part I.3 tax is the amount before deducting the surtax credits, which is increased to reflect a full-year tax liability if the taxation year is less than 51 weeks; or
- starts after December 20, 2002, the amount at line 415 of the T2 return is equal to $0.225\% \times (A - \$10,000,000)$ where, "A" is the total of taxable capital employed in Canada** of each corporation in the associated group*** for its last taxation year ending in the preceding calendar year.

*Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's taxation year is less than 51 weeks, prorate the amount in column 6 by the number of days in the taxation year divided by 365, and enter the result on line 410 of the T2 return.

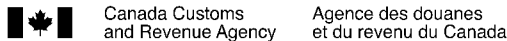
If a CCPC has more than one taxation year ending in a calendar year and is associated in more than one of those years with another CCPC that has a taxation year ending in the same calendar year, the business limit for the second (and subsequent) taxation year(s) will be equal to the business limit allocated for the first taxation year ending in the calendar year.

** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the *Income Tax Act*.

***The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

T2 SCH 23 (04)

Canada



AGREEMENT AMONG RELATED CORPORATIONS – PART I.3 TAX

- Members of a related group of corporations should use this schedule to allocate the capital deduction of \$50,000,000 among the members of the related group. **Do not file this agreement if no members of the related group have to pay Part I.3 tax.**
- In cases where a related corporation has more than one taxation year ending in a calendar year, it has to file an agreement for each of those taxation years.
- A corporation that is related to any other corporation at any time in a taxation year of the corporation that ends in a calendar year may file such an agreement.
- In accordance with subsection 181.5(7) of the federal *Income Tax Act*, a Canadian-controlled private corporation is not considered to be related to another corporation for purposes of the capital deduction unless it is also associated with that corporation.

Agreement

Date filed (do not use this area)

010

Year Month Day

Is this an amended agreement?

020

1 Yes

2 No

X

Calendar year to which the agreement applies

030

Year

2005

Note: This agreement must include all the information indicated below for all members of the related group, including members to which no amount of capital deduction is allocated for the year. However, any member that is exempt from Part 1.3 tax under subsection 181.1(3) does not have to be included.

	Names of all corporations which are members of the related group 200	Business Number (if a corporation is not registered, enter "NR") 300	Allocation of capital deduction for the year \$ 400	Taxation year end to which this agreement applies* (YYYY/MM/DD) 500
	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	49,842,000	
1	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	105,000	
2	WELLAND HYDRO ELECTRIC RETAIL CORP.	86375 9494 RC0001	53,000	
3	City of Welland	NR		
Total (cannot be more than \$50,000,000)			50,000,000	

* Entries are only required in this column for a corporation that has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year. The capital deduction of the first corporation for each such taxation year at the end of which it is related to the other corporation is an amount equal to its capital deduction for the first such taxation year. Enter the taxation year end to which this agreement applies.

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Taxation year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2005-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

Name of shareholder		Business Number (Notes 1 & 3)	Social Insurance Number (Note 2 & 3)	Percentage common shares	Percentage preferred shares
100		200	300	400	500
1	Welland Hydro-Electric Holding Corp.	86360 4328 RC0001		100.000	
2					
3					
4					
5					
6					
7					
8					
9					
10					

- Note 1: If a corporate shareholder does not have a business number, "NR" must be entered to indicate the corporation is not registered.
- Note 2: If an individual shareholder does not have a social insurance number, "NA" must be entered to indicate the SIN is not available.
- Note 3: If a trust holds 10% or more of the corporation's common or preferred shares, enter "NR" for the business number and, if space permits, enter the trust's name and account number. Do not enter anything in the "SIN" column.

Ontario Consent Form

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

This form authorizes the Ontario Ministry of Finance to release confidential client information to a designated third-party representative in matters pertaining to applicable legislation.

- Complete Parts 1, 2, and 5 to name a representative.
- Complete Parts 3, 4 and 5 to cancel consent for an existing representative.
- Complete all parts if you want to both name a new representative and cancel an existing representative.

Part 1 – Consent for the release of information to a representative

Client's name: WELLAND HYDRO ELECTRIC SYSTEM CORP.
Ontario Corporations Tax Account Number: 1800215
Client's address 1: 950 EAST MAIN STREET
Client's address 2: P.O. BOX 280
City: WELLAND
Province, territory, or state: ON
Country (other than Canada): _____
Postal code: L3B 5P6
Zip Code or Foreign postal code: _____

I consent to the release of confidential information about my Corporation tax return by the Ontario Ministry of Finance to the representative named below.

Representative's name: Deloitte & Touche LLP
(If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)
If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name: _____

Address 1: 4210 King Steet East
Address 2: _____
City: Kitchener
Province, territory, or state: ON
Country (other than Canada): _____
Postal code: N2P 2G5
Zip Code or Foreign postal code: _____

(519) 650-7600 (519) 650-7601
Representative's telephone number Extension Representative's fax number

Part 2 – Details of consent

I request that this consent apply to all years. ☒ OR

I request that this consent apply only to the following years:

1. All year-ends up to: _____
Year Month Day
2. All year-ends beginning in: _____ and all years after that.
Year Month Day
3. The following year-ends only:
Year Month Day Year Month Day
Year Month Day Year Month Day

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Part 3 – Cancellation of the consent for the release of information to a representative

Client's name: _____

I cancel all previous consent for all representatives. ☐ OR

I cancel my consent to the release of confidential information about my Corporation tax return by the Ontario Ministry of Finance to the representative named below.

Representative's name: _____

(If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name: _____

Address 1: _____

Address 2: _____

City: _____

Province, territory, or state: _____

Country (other than Canada): _____

Postal code: _____

Zip Code or Foreign postal code: _____

Representative's telephone number

Extension

Representative's fax number

Part 4 – Details of cancellation of consent

I request that this cancellation of consent apply to all years. ☐ OR

I request that this cancellation of consent apply only to the following years:

- All year-ends up to: _____
Year Month Day
- All year-ends beginning in: _____ and all years after that.
Year Month Day
- The following year-ends only: _____
Year Month Day Year Month Day
Year Month Day Year Month Day

Part 5 – Signature

Your name ROSS PEEVER Title PRESIDENT

This form must be signed by an owner, partner, director, trustee, or officer.

Sign here ► _____ Date _____
Year Month Day

WE WILL NOT PROCESS THIS FORM IF IT IS NOT SIGNED



Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

2004/
2005

CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2002

Corporations Tax Act – Ministry of Finance (MOF)
Corporations Information Act – Ministry of Consumer and Business Services (MCBS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Consumer and Business Services (MCBS) **Annual Return**. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3-17. Corporations that **do not** meet the EFF criteria but **do** meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MCBS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

MCBS Annual Return Required? (Not required if already filed or Annual Return exempt. Refer to Guide)

☒ Yes

☐ No

Page 1 of 20

Ministry Use

Corporation's Legal Name (including punctuation)

WELLAND HYDRO ELECTRIC SYSTEM CORP.

Mailing Address

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Has the mailing address changed since last filed CT23 Return?

☐ Yes

Date of Change

year month day

Registered/Head Office Address

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Location of Books and Records

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Name of person to contact regarding this CT23 Return

Telephone No.

Fax No.

ROSS PEEVER

(905) 732-1381

Address of Principal Office in Ontario (Extra-Provincial Corporations only)

(MCBS)

Ontario Canada

Former Corporation Name (Extra-Provincial Corporations only)

☒ Not Applicable

(MCBS)

Information on Directors/Officers/Administrators must be completed on MCBS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MCBS). ▶

No. of Schedule(s)

If there is **no change** to the Directors'/Officers'/Administrators' information previously submitted to MCBS, please check (X) this box. Schedule(s) A and K are not required (MCBS). ▶ ☒ No Change

Ontario Corporations Tax Account No. (MOF)

1800215

This Return covers the Taxation Year

Start

year month day

2005-01-01

End

year month day

2005-12-31

Date of Incorporation or Amalgamation

year month day

2000-07-01

Ontario Corporation No. (MCBS)

1426855

Canada Customs and Revenue Agency Business No.

If applicable, enter

86375 9692 RC0001

Jurisdiction Incorporated

ONTARIO

If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased:

Commenced

year month day

Ceased

year month day

☒ Not Applicable

Preferred Language / Langue de préférence

☒ English
anglais

☐ French
français

Ministry Use



Certification (MCBS)

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person (Print clearly or type in full)

ROSS PEEVER

Title ☒ Director ☒ Officer ☐ Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2005-12-31

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Type of Corporation – Please check (X) box(es) if applicable in sections

1 & 2

1 ☒ Canadian-controlled Private (CCPC) all year
(Generally a private corporation of which
50% or more shares are owned by
Canadian residents.) (fed.s.125(7)(b))

2 ☐ Other Private

3 ☐ Public

4 ☐ Non-share Capital

5 ☐ Other (specify) ▼

Share Capital with full voting rights
owned by Canadian Residents

(nearest percent)

100 %

Ontario Retail Sales Tax Vendor Permit No.
(Use Head Office no.)

If applicable, enter

Ontario Employer Health Tax Account No.
(Use Head Office no.)

If applicable, enter

Specify major business activity

- 2
- 1 ☐ Family Farm Corporation s.1 (2)
- 2 ☐ Family Fishing Corporation s.1 (2)
- 3 ☐ Mortgage Investment Corporation s.47
- 4 ☐ Credit Union s.51
- 5 ☐ Bank Mortgage Subsidiary s.61 (4)
- 6 ☐ Bank s.1 (2)
- 7 ☐ Loan and Trust Corporation s.61 (4)
- 8 ☐ Non-resident Corporation
s.2(2)(a) or (b)
- 9 ☐ Non-resident Corporation s.2(2)(c)
- 10 ☐ Mutual Fund Corporation s.48
- 11 ☐ Non-resident owned investment
Corporation s.49
- 12 ☐ Non-resident ship or aircraft under
reciprocal agreement with Canada s.28(b)

- 14 ☐ Bare Trustee Corporation
- 15 ☐ Branch of Non-resident s.63(1)
- 16 ☐ Financial institution prescribed by
Regulation only
- 17 ☐ Investment Dealer
- 18 ☐ Generator of electrical energy for sale or
producer of steam for use in the generation
of electrical energy for sale
- 19 ☒ Hydro successor, Municipal Electrical
Utility or subsidiary of either
- 20 ☐ Producer and seller of steam for uses
other than for the generation of electricity
- 21 ☐ Insurance Exchange s.74.4
- 22 ☐ Farm Feeder Finance Co-operative
Corporation
- 23 ☐ Professional Corporation
(incorporated professionals only)

Please check (X) box(es) if applicable

☐ First Year of Filing

☐ Amended Return

☐ Taxation Year End has changed – Canada
Customs and Revenue Agency approval
required

☐ Final Taxation Year up to Dissolution (wind-up)
(Note: For discontinued businesses, see Guide.)

☐ Final Taxation Year before Amalgamation

☐ Floating Fiscal Year End

☐ Transfer or Receipt of Asset(s) involving a
corporation having a Canadian permanent
establishment outside Ontario

☐ Acquisition of Control fed s. 249(4)

Date Control was acquired
year month day

	Yes	No
Was the corporation inactive throughout the taxation year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Has the corporation's Federal T2 Return been filed with the Canada Customs and Revenue Agency (CCRA)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are you requesting a refund due to: the Carry-back of a Loss?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
an Overpayment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
a Specified Refundable Tax Credit?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Are you a Member of a Partnership or Joint Venture?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Allocation – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	- - - - -	±	From	690	761,860	●
Subtract: Charitable donations	- - - - -	-		1	3,406	●
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	- - - - -	-		2		●
Subtract: Taxable dividends deductible, per federal Schedule 3	- - - - -	-		3	2,069	●
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	- - - - -	-		4		●
Subtract: Federal Part VI.1 tax	● x 3	-		5		●
Subtract: Prior years' losses applied – Non-capital losses	- - - - -	-	From	704	756,385	●
	From 715					
Net capital losses (page 16)	● x inclusion rate			50.000000	% =	-
				714		●
Farm losses	- - - - -	-	From	724		●
Restricted farm losses	- - - - -	-	From	734		●
Limited partnership losses	- - - - -	-	From	754		●
Taxable Income (Non-capital loss)	- - - - -	=		10		●
Addition to taxable income for unused foreign tax deduction for federal purposes	- - - - -	+		11		●
Adjusted Taxable Income	10 + 11 (if 10 is negative, enter 11)	=		20		●

Taxable Income

From	10 (or 20 if applicable)	● x	30	100.0000	% x	12.5 % x	33	÷	73	365	= +	29	●
				Ontario Allocation									
From	10 (or 20 if applicable)	● x	30	100.0000	% x	14 % x	34	÷	73	365	= +	32	●
				Ontario Allocation									
Income Tax Payable (before deduction of tax credits)	29 + 32	=		40									●

Number of Days in Taxation Year

Days after Dec. 31, 2002 and before Jan. 1, 2004

Total Days

Days after Dec. 31, 2003

Total Days

Incentive Deduction for Small Business Corporations (IDSBC) (s.41)

If this section is not completed, the IDSBC will be denied.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X)

☐ Yes ☒ No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - -	50	●
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+	51	●
Add: Losses of other years deducted for federal purposes (fed.s.111)	+	52	●
Subtract: Losses of other years deducted for Ontario purposes (s.34)	-	53	●
	=	54	●
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -	55	300,000 ●

Ontario Business Limit Calculation

320,000 x	31	÷	**	365	= +	46	●
	Days after Dec. 31, 2002 and before Jan 1, 2004						
400,000 x	34	÷	**	365	= +	47	400,000 ●
	Days after Dec 31, 2003						
Business Limit for Ontario purposes	46 + 47	=	44	400,000 ● x	48	100.0000 %	= 45 400,000 ●
					Percentage of federal Business limit (from T2 Schedule 23). Enter 100% if not associated.		
Income eligible for the IDSBC	- - - - -	From	30	100.0000 % x	56	=	60 ●
				***Ontario Allocation	Least of	50 , 54 or 45	

* **Note:** Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)

** **Note:** Adjust accordingly for a floating taxation year and use 366 for a leap year.

*** **Note:** Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

continued on Page 5

Income Tax *continued from Page 4*

		Number of Days in Taxation Year			
		<small>Days after Dec 31, 2002 and before Jan 1, 2004</small> <small>Total Days</small> <div style="display: flex; justify-content: space-between;"> <input type="text" value="31"/> <input type="text" value="73"/> <input type="text" value="365"/> </div>			
Calculation of IDSBC Rate	- - - - -	7 %	x	= +	<input type="text" value="89"/>
		<small>Days after Dec 31, 2003</small> <small>Total Days</small> <div style="display: flex; justify-content: space-between;"> <input type="text" value="34"/> <input type="text" value="365"/> <input type="text" value="73"/> <input type="text" value="365"/> </div>			
		8.5 %	x	= +	<input type="text" value="90"/> 8.5000
IDSBC Rate for Taxation Year	<input type="text" value="89"/> + <input type="text" value="90"/>	- - - - -		=	<input type="text" value="78"/> 8.5000
Claim	- - - - -	From <input type="text" value="60"/>	x	From <input type="text" value="78"/> 8.5000 %	= <input type="text" value="70"/>

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

***Taxable Income of the corporation** - - - - - From (or if applicable) +

If you are a member of an associated group (X) ☐ (Yes)

Name of associated corporation (Canadian & foreign) <small>(if insufficient space, attach schedule)</small>	Ontario Corporations Tax Account No. (MOF) <small>(if applicable)</small>	Taxation Year End	* Taxable Income <small>(if loss, enter nil)</small>
WELLAND HYDRO-ELECTRIC HOLDING CORP.	1800213	2005-12-31	+ <input type="text" value="82"/>
WELLAND HYDRO ELECTRIC RETAIL CORP.	1800214	2005-12-31	+ <input type="text" value="83"/>
City of Welland		2005-12-31	+ <input type="text" value="84"/>
Aggregate Taxable Income	<input type="text" value="80"/> + <input type="text" value="82"/> + <input type="text" value="83"/> + <input type="text" value="84"/> , etc.	- - - - -	= <input type="text" value="85"/>

		Number of Days in Taxation Year			
		<small>Days after Dec 31, 2002 and before Jan 1, 2004</small> <small>Total Days</small> <div style="display: flex; justify-content: space-between;"> <input type="text" value="31"/> <input type="text" value="73"/> <input type="text" value="365"/> </div>			
320,000	x	<input type="text" value="31"/>	÷	<input type="text" value="73"/>	= + <input type="text" value="115"/>
		<small>Days after Dec. 31, 2003</small> <small>Total Days</small> <div style="display: flex; justify-content: space-between;"> <input type="text" value="34"/> <input type="text" value="365"/> <input type="text" value="73"/> <input type="text" value="365"/> </div>			
400,000	x	<input type="text" value="34"/>	÷	<input type="text" value="73"/>	= + <input type="text" value="116"/> 400,000
		<input type="text" value="115"/>	+	<input type="text" value="116"/>	= <input type="text" value="400,000"/>
				-	<input type="text" value="114"/> 400,000
(If negative, enter nil)	- - - - -			=	<input type="text" value="86"/>

		Number of Days in Taxation Year			
		<small>Days after Dec 31, 2002</small> <small>Total Days</small> <div style="display: flex; justify-content: space-between;"> <input type="text" value="38"/> <input type="text" value="365"/> <input type="text" value="73"/> <input type="text" value="365"/> </div>			
Calculation of Specified Rate for Surtax	- - - - -	4.6670 %	x	= +	<input type="text" value="97"/> 4.6670
	From <input type="text" value="86"/>	x	From <input type="text" value="97"/> 4.6670 %	=	<input type="text" value="87"/>
	From <input type="text" value="87"/>	x	From <input type="text" value="60"/>	÷	From <input type="text" value="114"/> 400,000 = <input type="text" value="88"/>
Surtax Lesser of	<input type="text" value="70"/> or <input type="text" value="88"/>	- - - - -		=	<input type="text" value="100"/>

*** Note: Short Taxation Years** – Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

Additional Deduction for Credit Unions (s.51(4)) (Attach schedule 17)

110

Manufacturing and Processing Profits Credit (M&P) (s.43)

Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: **a)** your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and **b)** the total active business income is \$250,000 or less.

Eligible Canadian Profits

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 ÷ From 30 100.0000% ÷ From 78 8.5000% = 121
*Ontario Allocation

Lesser of 56 or 121 + 122

120 - 56 + 122 = 130

Taxable Income + From 10

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - From 56

Add: Adjustments for Surtax on Canadian-controlled private corporations + From 122

Subtract: Taxable Income 10 X Allocation % to jurisdictions outside Canada % - 140

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses - 141

10 - 56 + 122 - 140 - 141 = 142

Claim**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan 1, 2004 Total Days

143 X From 30 100.0000% X 1.5% X 33 ÷ 73 365 = + 154
Lesser of 130 or 142 Ontario Allocation

Days after Dec. 31, 2003 Total Days

143 X From 30 100.0000% X 2% X 34 365 ÷ 73 365 = + 156
Lesser of 130 or 142 Ontario Allocation

M&P claim for taxation year 154 + 156 = 160

* **Note:** Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))

Manufacturing and Processing Profits Credit for Electrical Generating Corporations

= 161

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity

= 162

Credit for Foreign Taxes Paid (s.40)

Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). (Attach schedule).

170

Credit for Investment in Small Business Development Corporations (SBDC)

Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit 175

Credit Claimed 180

Subtotal of Income Tax

40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 = 190

continued on Page 7

Income Tax continued from Page 6

Specified Tax Credits (Refer to Guide)

Ontario Innovation Tax Credit (OITC) (s.43.3)*Applies* to scientific research and experimental development in Ontario.

Eligible Credit From 5620 OITC Claim Form (Attach original Claim Form) - - - - - + 191

Co-operative Education Tax Credit (CETC) (s.43.4)*Applies* to employment of eligible students.

Eligible Credit From 5798 CT23 Schedule 113 (Attach Schedule 113) - - - - - + 192 292

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)*Applies* to qualifying Ontario labour expenditures for eligible Canadian content film and television productions.

204
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6)*Applies* to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005.

No. of Graduates From 6596
194
Eligible Credit From 6598 CT23 Schedule 115 (Attach Schedule 115) - - - - - + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)*Applies* to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.

Eligible Credit From 6900 OBPTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)*Applies* to labour relating to computer animation and special effects on an eligible production.

Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)*Applies* to qualifying R&D expenditures under an eligible research institute contract.

Eligible Credit From 7100 OBRITC Claim Form (Attach original Claim Form) - - - - - + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)*Applies* to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.

Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)*Applies* to qualifying labour expenditures of eligible products for the taxation year.

Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)*Applies* to qualifying expenditures in respect of eligible Canadian sound recordings.

Eligible Credit From 7500 OSRTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13)*Applies* to employment of eligible apprentices

No. of Apprentices From 5896
202
Eligible Credit From 5898 CT23 Schedule 114 (Attach Schedule 114) - - - - - + 203
Other (specify) - - - - - + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220 292

Specified Tax Credits Applied to reduce Income Tax - - - - - = 225

Income Tax 190 - 225 OR Enter NIL if reporting Non-Capital Loss (amount cannot be negative) - - - - = 230

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on **Page 8**. If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on **Page 17**.

OR
If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on **Page 8**.

Total Assets of the corporation	- - - - - +	240	37,019,745 ●	
Total Revenue of the corporation	- - - - - +	241		44,293,856 ●

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X) 242 (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
			+ 243	+ 244
			+ 245	+ 246
			+ 247	+ 248
Aggregate Total Assets	240 + 243 + 245 + 247, etc.	- - - - -	= 249	37,019,745
Aggregate Total Revenue	241 + 244 + 246 + 248, etc.	- - - - -	= 250	44,293,856

Determination of Applicability

Applies if **either** Total Assets 249 exceeds \$5,000,000 **or** Total Revenue 250 exceeds \$10,000,000.

Short Taxation Years—Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

Associated Corporation – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101**.

Calculation: CMT (Attach Schedule 101.)[illegible]

Net CMT Payable	(If negative, enter Nil on Page 17.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	=	280	1,991 ●
------------------------	--------------------------------------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	-----	---------

If **280** is less than zero and you do not have a CMT credit carryover, transfer **230** from **Page 7** to **Income Tax Summary, on Page 17**.

If 280 is less than zero and you have a CMT credit carryover A & B below.

If **280** is greater than or equal to zero, transfer **230** to **Page 17** and transfer **280** to **Page 17**, and to **Part 4 of Schedule 101: Continuity of CMT Credit Carryovers**.

CMT Credit Carryover available From Schedule 101 - - - - - From 12,197 ●

Application of CMT Credit Carryovers

A.	Income Tax (before deduction of specified credits)	-	-	-	-	-	-	-	+ From [190]		●
Gross CMT Payable	-	-	-	-	-	-	-	-	+ From [276]	1,991 ●	
Subtract: Foreign Tax Credit for CMT purposes	-	-	-	-	-	-	-	-	- From [277]		●
If [276] – [277] is negative, enter NIL in [290]								=		1,991 ● ▶	
Income Tax eligible for CMT Credit	-	-	-	-	-	-	-	-	=	[290] [300]	1,991 ● <div style="background-color: #cccccc; height: 1em;"></div>

B.	Income Tax (after deduction of specified credits)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+ From	230	●
	Subtract: CMT credit used to reduce income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		310	●
	Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	=		320	●

Transfer to page 17

If A & B apply, 310 cannot exceed the lesser of 230, 300 and your CMT credit carryover available 2333.

If only B applies, 310 cannot exceed the lesser of 230 and your CMT credit carryover available 2333 .

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2005-12-31

DOLLARS ONLY

Capital Tax (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both \$3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be

adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

Paid-up Capital of Non-resident: Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(a) or (b), and whose business is not carried on solely in Canada is deemed to be the greater of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+	350	12,953,180 ●
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	±	351	495,303 ●
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+	352	630,158 ●
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+	353	14,483,625 ●
Bank loans (Int.B. 3013R)	- - - - -	+	354	●
Bankers acceptances (Int.B. 3013R)	- - - - -	+	355	●
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+	356	●
Mortgages payable (Int.B. 3013R)	- - - - -	+	357	●
Lien notes payable (Int.B. 3013R)	- - - - -	+	358	●

Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+	359	1,378,655 ●
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+	360	●
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+	361	●
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+	362	●
Subtotal	- - - - -	=	370	29,940,921 ●

Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	-	371	654,544 ●
---	-----------	---	-----	-----------

Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	-	372	●
--	-----------	---	-----	---

Total Paid-up Capital	- - - - -	=	380	29,286,377 ●
------------------------------	-----------	---	-----	--------------

Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	-	381	●
--	-----------	---	-----	---

Electrical Generating Corporations Only – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation

	- - - - -	-	382	●
Net Paid-up Capital	- - - - -	=	390	29,286,377 ●

Eligible Investment (Refer to Guide and Int.B. 3015R)

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	- - - - -	+	402	●
Mortgages due from other corporations	- - - - -	+	403	●
Shares in other corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+	404	35,188 ●
Loans and advances to unrelated corporations	- - - - -	+	405	9,597 ●
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+	406	172,337 ●
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	- - - - -	+	407	●

Total Eligible Investments	- - - - -	=	410	217,122 ●
-----------------------------------	-----------	---	-----	-----------

continued on Page 10

Total Assets (Int.B. 3015R)**DOLLARS ONLY**

Total Assets per balance sheet		+	420	37,019,745 ●
Mortgages or other liabilities deducted from assets		+	421	●
Share of partnership(s)/joint venture(s) total assets <i>(Attach schedule)</i>		+	422	●
Subtract: Investment in partnership(s)/joint venture(s)		-	423	●
Total Assets as adjusted		=	430	37,019,745 ●
Amounts in 360 and 361 (if deducted from assets)		+	440	●
Subtract: Amounts in 371, 372 and 381		-	441	654,544 ●
Subtract: Appraisal surplus if booked		-	442	●
Add or Subtract: Other adjustments (specify on an attached schedule)		±	443	●
Total Assets		=	450	36,365,201 ●

[illegible]

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	-	-	-	480	44,293,856
Total Assets (as adjusted)	-	-	-	430	37,019,745

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: This version (2004/2005) of the CT23 may only be used for a taxation year that commenced after December 31, 2002.

Financial Institutions use calculations on page 13.

Important:

If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.

OR If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C below, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.

OR If the corporation is a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. Note: if the corporation is a member of a connected partnership, please refer to the 2004/2005 CT23 Guide for additional instructions before completing the Capital Tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018).

Enter NIL in on page 12 and complete the return from that point.

SECTION B

Calculation of Taxable Capital Deduction (TCD)

		Number of Days in Taxation Year			
		Days before Jan. 1, 2005	Total Days		
5,000,000	x	<input type="text" value="35"/> _____ ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/>	= + <input type="text" value="500"/>	<input type="text"/>
		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	x	<input type="text" value="36"/> <input type="text" value="365"/> ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/>	= + <input type="text" value="501"/>	<input type="text" value="7,500,000"/>
		Days after Dec. 31, 2005 and before Jan. 1, 2007	Total Days		
10,000,000	x	<input type="text" value="37"/> _____ ÷ <input type="text" value="73"/> _____	<input type="text" value="365"/>	= + <input type="text" value="502"/>	<input type="text"/>
Capital Deduction (TCD)		<input type="text" value="500"/> + <input type="text" value="501"/> + <input type="text" value="502"/>		= <input type="text" value="503"/>	<input type="text" value="7,500,000"/>

SECTION C

This section applies if the corporation is **not** a member of an associated group and/or partnership.

C1. If and on page 10 are both \$3,000,000 or less, enter NIL in on page 12 and complete the return from that point.

C2. If Taxable Capital in **470** is **equal to or less than the TCD** in **503**, enter NIL in **550** on page 12 and complete the return from that point.

C3. If Taxable Capital in **470** exceeds the TCD in **503**, complete the following calculation and transfer the amount from **523** to **543** on page 12, and complete the return from that point.

[illegible]

continued on Page 11

Capital Tax Calculation
continued from Page 10

SECTION D

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either 509 or 524 and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1.
☐ 509
(X if applicable)

All corporations that you are associated with do **not** have a permanent establishment in Canada.
If Taxable Capital 470 on page 10 is equal to or less than the TCD 503 on page 10, enter NIL in 550 on page 12 and complete the return from that point.

If Taxable Capital 470 on page 10 exceeds the TCD 503 on page 10, proceed to **Section E**, enter the TCD amount in 542 in Section E, and complete Section E and the return from that point.

D2.
☒ 524
(X if applicable)

One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

Calculation
Do **not** complete this calculation if ss.69(2.1) election is filed

Taxable Capital
From 470 on page 10
- - - - -
+ From 470
29,111,520

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End		Taxable Capital
WELLAND HYDRO-ELECTRIC HOLDING CORP.	1800213	2005-12-31	+ 531	102,448
WELLAND HYDRO ELECTRIC RETAIL CORP.	1800214	2005-12-31	+ 532	52,694
City of Welland		2005-12-31	+ 533	
Aggregate Taxable Capital	470 + 531 + 532 + 533 , etc. - - - - -			= 540 29,266,662

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.
Enter NIL in 523 in section E on page 12, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E on page 12.

From 470
29,111,520
÷
From 540
29,266,662
×
From 503
7,500,000
=
541
7,460,243

Transfer to 542 in Section E on page 12

Ss.69(2.1) Election Filed

☐ 591
(X if applicable)

Election filed. Attach a copy of Schedule 591 with this CT23 Return.
Proceed to **Section F** on page 12.

continued on Page 12

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1

- - - - - ± 600 761,860 ●
Transfer to page 15

Add:

Federal capital cost allowance	- - - - -	+	601	1,164,924 ●
Federal cumulative eligible capital deduction	- - - - -	+	602	152,822 ●
Ontario taxable capital gain	- - - - -	+	603	●
Federal non-allowable reserves. Balance beginning of year	- - - - -	+	604	2,120,898 ●
Federal allowable reserves. Balance end of year	- - - - -	+	605	994,804 ●
Ontario non-allowable reserves. Balance end of year	- - - - -	+	606	2,041,529 ●
Ontario allowable reserves. Balance beginning of year	- - - - -	+	607	672,871 ●
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	- - - - -	+	608	●
Federal resource allowance (Refer to Guide)	- - - - -	+	609	●
Federal depletion allowance	- - - - -	+	610	●
Federal foreign exploration and development expenses	- - - - -	+	611	●
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	- - -	+	617	●
Management fees, rents, royalties and similar payments to non-arm's length non-residents ▼				

Number of Days in Taxation Year

$$\begin{array}{c} \text{Days after} \\ \text{Dec. 31, 2002 and} \\ \text{before Jan. 1, 2004} \end{array} \quad \begin{array}{c} \text{Total Days} \\ 365 \end{array}$$

$$\text{[612]} \times 5 / 12.5 \times \text{[33]} \div \text{[73]} \text{[365]} = + \text{[633]} \text{ ●}$$

$$\begin{array}{c} \text{Days after} \\ \text{Dec. 31, 2003} \end{array} \quad \begin{array}{c} \text{Total Days} \\ 365 \end{array}$$

$$\text{[612]} \times 5 / 14 \times \text{[34]} \div \text{[73]} \text{[365]} = + \text{[634]} \text{ ●}$$

Total add-back amount for Management fees, etc. 633 + 634 = ● + 613 ●

Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661
excluding any negative amount in 473 from Ont. CT23 Schedule 161 - - - - - + 615 ●

Add any negative amount in 473 from Ont. CT23 Schedule 161 - - - - - + 616 ●

Federal allowable business investment loss - - - - - + 620 ●

Total of other items not allowed by Ontario but allowed federally (Attach schedule) - - - - - + 614 ●

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 - - - = 7,147,848 ● ▶ 640 7,147,848 ●
Transfer to page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	- - - - -	+	650	1,164,924 ●
Ontario cumulative eligible capital deduction	- - - - -	+	651	152,822 ●
Federal taxable capital gain	- - - - -	+	652	●
Ontario non-allowable reserves. Balance beginning of year	- - - - -	+	653	2,120,898 ●
Ontario allowable reserves. Balance end of year	- - - - -	+	654	994,804 ●
Federal non-allowable reserves. Balance end of year	- - - - -	+	655	2,041,529 ●
Federal allowable reserves. Balance beginning of year	- - - - -	+	656	672,871 ●
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	- - - - -	+	657	●
Ontario depletion allowance	- - - - -	+	658	●
Ontario resource allowance (Refer to Guide)	- - - - -	+	659	●
Ontario current cost adjustment (Attach schedule)	- - - - -	+	661	●
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	- - - - -	+	675	●

Subtotal of deductions for this page 650 to 659 + 661 + 675 - - - - - 681 7,147,848 ●
Transfer to page 15

continued on Page 15

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1	- - - - -	From ±	600	761,860 ●
Total of Additions on page 14	- - - - -	From =	640	7,147,848 ●
Sub Total of deductions on page 14	- - - - -	From =	681	7,147,848 ●

Deduct:

Ontario New Technology Tax Incentive (ONTTI) Gross-up

(Applies only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year

- - - 662 ●

ONTTI Gross-up deduction calculation:

$$\begin{array}{l}
 \text{Gross-up of CCA} \\
 \left[\begin{array}{l} \text{From } 662 \text{ ●} \times \frac{100}{\text{From } 30 \text{ } 100.0000} \\ \text{Ontario Allocation} \end{array} \right] - \text{From } 662 \text{ ●} = 663 \text{ ●}
 \end{array}$$

Workplace Child Care Tax Incentive (WCCT)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 665 \text{ ●} \times 30 \% \times \frac{100}{\text{From } 30 \text{ } 100.0000} = 666 \text{ ●} \\
 \text{Ontario allocation}
 \end{array}$$

Workplace Accessibility Tax Incentive (WATI)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 667 \text{ ●} \times 100 \% \times \frac{100}{\text{From } 30 \text{ } 100.0000} = 668 \text{ ●} \\
 \text{Ontario allocation}
 \end{array}$$

Number of Employees accommodated 669

Ontario School Bus Safety Tax Incentive (OSBSTI)

(Applies to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) (Refer to Guide)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 670 \text{ ●} \times 30 \% \times \frac{100}{\text{From } 30 \text{ } 100.0000} = 671 \text{ ●} \\
 \text{Ontario allocation}
 \end{array}$$

Educational Technology Tax Incentive (ETTI)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 672 \text{ ●} \times 15 \% \times \frac{100}{\text{From } 30 \text{ } 100.0000} = 673 \text{ ●} \\
 \text{Ontario allocation}
 \end{array}$$

Ontario allowable business investment loss - - - - - + 678 ●

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161 + 679 ●

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) - - - - - + 677 ●

Total of other deductions allowed by Ontario (Attach schedule) - - - - - + 664 ●

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 7,147,848 ● ▶ 680 7,147,848 ●

Net income (loss) for Ontario Purposes 600 + 640 - 680 - - - - - = 690 761,860 ●

Transfer to page 4

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
Balance at Beginning of Year	700 (2) 1,142,157	710 (2)	720 (2)	730	740	750
Add:						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
Subtotal	703	713	723	733	743	753
Subtract:						
Utilized during the year to reduce taxable income	704 (2) 756,385	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
Subtotal	707 756,385	717	727	737	747	757
Balance at End of Year	709 (8) 385,772	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1996-12-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1997-12-31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 1998-12-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 1999-12-31	820	830	840	853	873
804 5th preceding taxation year 2000-12-31	821	831	841	854	874
805 4th preceding taxation year 2001-12-31	822	832	842	855	875
806 3rd preceding taxation year 2002-12-31	823	833	843	856	876
807 2nd preceding taxation year 2003-12-31	824 385,772	834	844	857	877
808 1st preceding taxation year 2004-12-31	825	835	845	858	878
809 Current taxation year 2005-12-31	826	836	846	859	879
Total	829 385,772	839	849	869	889

Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
- (2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.

- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2005-12-31

DOLLARS ONLY

Request for Loss Carry-Back (s.80(16))

Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance**.

- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
 - the first day of the taxation year after the loss year,
 - the day on which the corporation's return for the loss year is delivered to the Minister, or
 - the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF)	901	911	921	931
Taxation Year Ending year month day	2002-12-31	912	922	932
i) 3 rd preceding	902	913	923	933
ii) 2 nd preceding	903	From 706	From 716	From 726
iii) 1 st preceding				From 736
Total loss to be carried back				
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	- - - - - +	From 230 or 320	●
Corporate Minimum Tax	- - - - +	From 280	1,991 ●
Capital Tax	- - - - - +	From 550	64,662 ●
Premium Tax	- - - - - +	From 590	●
Total Tax Payable	- - - - - =	950	66,653 ●
Subtract: Payments	- - - - - -	960	73,000 ●
Capital Gains Refund (s.48)	- - - - - -	965	●
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - - -	985	●
Specified Tax Credits (Refer to Guide)	- - - - - -	955	●
Other, specify Transf from Fed	- - - - - -		●
Balance	- - - - - - =	970	-6,347 ●
If payment due	- - - - - -	Enclosed * 990	●
If overpayment: Refund (Refer to Guide)	- - - - - - =	975	6,347 ●
Apply to	year month day	980	●

(Includes credit interest)

* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. (Refer to Guide for other payment methods.)

Certification

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (please print)

ROSS PEEVER

Title

PRESIDENT

Full Residence Address

Signature

Date

Note: Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Attached Schedule with Total

Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations

Title Supplement to CT23 line 359

Description	Amount	
Employee Benefits - Current	67,900	00
Employee Benefits - Long-Term	1,374,181	00
Adjustment for recovery of payment in lieu of tax	-63,426	00
Total	1,378,655	00

Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)

Description	Amount
Regulatory Assets - Market Ready Costs	299,663 00
Regulatory Assets - Retail Service Variances	650,562 00
Cumulative Book Depreciation	-6,065,148 00
Cumulative CCA claimed	5,037,193 00
Cumulative CEC claimed	732,274 00
Total	654,544 00

Attached Schedule with Total

Eligible loans and advances to related corporations (certain restrictions apply)

Title		Supplement to CT23 line 406	
Description		Amount	
Due From Related Company		172,337	00
Total		172,337	00

Attached Schedule with Total

Loans and advances to unrelated corporations

Title Supplement to CT23 line 405

Description	Amount
<u>Eligible advances included in prepaid accounts</u>	<u>9,597|00</u>
Total	9,597 00

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Part 1: Calculation of CMT Base

Banks – Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

Life insurance corporations – Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d)

Net Income/Loss (unconsolidated, determined in accordance with GAAP) ± 2100 51,835

Subtract (to the extent reflected in net income/loss):

Provision for recovery of income taxes / benefit of current income taxes + 2101
Provision for deferred income taxes (credits) / benefit of future income taxes + 2102
Equity income from corporations + 2103
Share of partnership(s)/joint venture(s) income + 2104
Dividends received/receivable deductible under fed.s.112 + 2105 2,069
Dividends received/receivable deductible under fed.s.113 + 2106
Dividends received/receivable deductible under fed.s.83(2) + 2107
Dividends received/receivable deductible under fed.s.138(6) + 2108
Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1) x 3 + 2109

Subtotal = 2,069 ▶ - 2110 2,069

Add (to extent reflected in net income/loss):

Provision for current taxes / cost of current income taxes + 2111
Provision for deferred income taxes (debits) / cost of future income taxes + 2112
Equity losses from corporations + 2113
Share of partnership(s)/joint venture(s) losses + 2114
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1)) ... + 2115

Subtotal = ▶ + 2116

Add/Subtract:

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years

** Fed.s.85 + 2117 or - 2118
** Fed.s.85.1 + 2119 or - 2120
** Fed.s.97 + 2121 or - 2122
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years + 2123 or - 2124
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years + 2125 or - 2126
** Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years ... + 2127 or - 2128

Interest allowable under ss.20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income - 2150

Subtotal (Additions) = ▶ + 2129

Subtotal (Subtractions) = ▶ - 2130

** Other adjustments ± 2131

Subtotal ± 2100 - 2110 + 2116 + 2129 - 2130 ± 2131 = 2132 49,766

** Share of partnership(s)/joint venture(s) **adjusted** net income/loss ± 2133

Adjusted net income (loss) (if loss, transfer to 2202 in **Part 2: Continuity of CMT Losses Carried Forward.**) = 2134 49,766

Deduct: * CMT losses: pre-1994 Loss + From 2210

* CMT losses: other eligible losses + 2211

= ▶ - 2135

* CMT losses applied cannot exceed adjusted net income or increase a loss

** Retain calculations. Do not submit with this schedule.

CMT Base = 2136 49,766

Transfer to CMT Base on Page 8 of the CT23 or Page 6 of the CT8

CT23 Schedule 101

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2005-12-31
---	---	---------------------------------

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTES (1), (2)	.....	+	2201	
Add:				
Current year's losses	.....	+	2202	
Losses from predecessor corporations on amalgamation NOTE (3)	.....	+	2203	
Losses from predecessor corporations on wind-up NOTE (3)	.....	+	2204	
Amalgamation (X) 2205 <input type="checkbox"/> Yes Wind-up (X) 2206 <input type="checkbox"/> Yes				
Subtotal =			
Adjustments (attach schedule)	.....	±	2208	
CMT losses available	2201 + 2207 ± 2208	=	2209	
Subtract:				
Pre-1994 loss utilized during the year to reduce adjusted net income	.....	+	2210	
Other eligible losses utilized during the year to reduce adjusted net income NOTE (4)	.....	+	2211	
Losses expired during the year	.....	+	2212	
Subtotal =			
Balances at End of Year NOTE (5)	2209 - 2213	=	2214	

Notes:

- (1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.
- (2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and a 57.5(7))
- (3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9))
- (4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.
- (5) Amount in 2214 must equal sum of 2270 + 2290.

Part 3: Analysis of CMT Losses Year End Balance by Year of Origin

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	9th preceding taxation year 1996-12-31	2260	2280
2241	8th preceding taxation year 1997-12-31	2261	2281
2242	7th preceding taxation year 1998-12-31	2262	2282
2243	6th preceding taxation year 1999-12-31	2263	2283
2244	5th preceding taxation year 2000-12-31	2264	2284
2245	4th preceding taxation year 2001-12-31	2265	2285
2246	3rd preceding taxation year 2002-12-31	2266	2286
2247	2nd preceding taxation year 2003-12-31	2267	2287
2248	1st preceding taxation year 2004-12-31	2268	2288
2249	Current taxation year 2005-12-31	2269	2289
Totals		2270	2290

The sum of amounts 2270 + 2290
must equal amount in 2214.

**Corporate Minimum Tax (CMT)
CT23 Schedule 101**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2005-12-31
---	---	---------------------------------

Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) + [2301] 10,206 ●

Add: Current year's CMT Credit ([280] on page 8 of the CT23
or [347] on page 6 of the CT8. If negative, enter NIL) + From [280] or [347] 1,991 ●

Gross Special Additional Tax NOTE (2) [312] on page 5 of CT8.
(Life Insurance corporations only.
Others enter NIL.) + From [312] ●

Subtract Income Tax
([190] on page 6 of the CT23 or
page 4 of the CT8) - From [190] ●

Subtotal (If negative, enter NIL) ... = [2305] 1,991 ●

Current year's CMT credit (If negative, enter NIL) [280] or [347] - [2305] ... = [2310] 1,991 ●

CMT Credit Carryovers from predecessor corporations NOTE (3) + [2325] ●

Amalgamation (X) [2315] ☐ Yes Wind-up (X) [2320] ☐ Yes

Subtotal [2301] + [2310] + [2325] = [2330] 12,197 ●

Adjustments (Attach schedule) ± [2332] ●

CMT Credit Carryover available [2330] ± [2332] = [2333] 12,197 ●

Transfer to Page 8 of the CT23 or Page 6 of the CT8

Subtract: CMT Credit utilized during the year to reduce income tax
([310] on page 8 of the CT23 or [351] on page 6 of the CT8.) + From [310] or [351] ●

CMT Credit expired during the year + [2334] ●

Subtotal = [2335] ●

Balances at End of Year NOTE (4) [2333] - [2335] = [2336] 12,197 ●

Notes:

- (1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))
- (2) The CMT credit of life insurance corporations can be restricted (see s.43.1(3)(b)).
- (3) Include and indicate whether CMT credits are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.43.1(4))
- (4) Amount in [2336] must equal sum of [2370] + [2390] .

Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
[2340]	9th preceding taxation year 1996-12-31	[2360]	[2380]
[2341]	8th preceding taxation year 1997-12-31	[2361]	[2381]
[2342]	7th preceding taxation year 1998-12-31	[2362]	[2382]
[2343]	6th preceding taxation year 1999-12-31	[2363]	[2383]
[2344]	5th preceding taxation year 2000-12-31	[2364]	[2384]
[2345]	4th preceding taxation year 2001-12-31	[2365]	[2385]
[2346]	3rd preceding taxation year 2002-12-31	[2366]	[2386]
[2347]	2nd preceding taxation year 2003-12-31	[2367]	[2387]
[2348]	1st preceding taxation year 2004-12-31	[2368] 10,206	[2388]
[2349]	Current taxation year 2005-12-31	[2369] 1,991	[2389]
Totals		[2370] 12,197	[2390]

The sum of amounts [2370] + [2390]
must equal amount in [2336] .

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2005-12-31
---	---	---------------------------------

CMT Losses Carried Forward Workchart

(i) Continuity of Pre-1994 CMT Losses

	Corporation's Pre-1994 Loss	Predecessors' Pre-1994 Loss Amalgamation	Predecessors' Pre-1994 Loss Wind-Up
Date of the last tax year end before the corp's 1st tax year commencing after 1993			
Pre-1994 Loss (per schedule)			
Less: Claimed in prior taxation years commencing after 1993			
Pre-1994 Loss available for the current year			
Less: Deducted in the current year			
(max. = adj. net income for the year)			
Expired after 10 years			
Pre-1994 Loss Carryforward			

(ii) Continuity of Other Eligible CMT Losses – Filing Corporation
(for losses occurring in tax years commencing after 1993)

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1995-12-31					
9th Prior Year	1996-12-31					
8th Prior Year	1997-12-31					
7th Prior Year	1998-12-31					
6th Prior Year	1999-12-31					
5th Prior Year	2000-12-31					
4th Prior Year	2001-12-31					
3rd Prior Year	2002-12-31					
2nd Prior Year	2003-12-31					
1st Prior Year	2004-12-31					
Total						

Predecessor Corporations Only – Amalgamation

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1995-12-31						
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

CMT Losses Carried Forward Workchart (continued)

Predecessor Corporations Only – Wind-Up

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1995-12-31						
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

CMT Credit Carryovers Workchart

Filing Corporation

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1995-12-31					
9th Prior Year	1996-12-31					
8th Prior Year	1997-12-31					
7th Prior Year	1998-12-31					
6th Prior Year	1999-12-31					
5th Prior Year	2000-12-31					
4th Prior Year	2001-12-31					
3rd Prior Year	2002-12-31					
2nd Prior Year	2003-12-31					
1st Prior Year	2004-12-31	10,206				10,206
	Total	10,206				10,206

Predecessor Corporations Only – Amalgamation

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1995-12-31						
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						

Predecessor Corporations Only – Wind-Up

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1995-12-31						
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						



Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Paid-Up Capital: Loans and Advances

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Loans or Advances Credited or Advanced to Corporation

(includes accounts payable to related parties outstanding at the taxation year end for 120 days or more, and accounts payable to non-related parties outstanding for 365 days or more at the taxation year end)

Note Payable	+	13,499,953
LT customer deposits	+	466,638
Current customer deposits	+	517,034
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
Total		
Transfer to 353 of the CT23	=	14,483,625



Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

- For use by a corporation to claim any of the following:
 - Charitable donations;
 - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
 - Gifts to Canada or a province;
 - Gifts of certified cultural property; or
 - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- File one completed copy of this schedule with your CT23.

Part 1 – Charitable Donations

Charitable Donations at end of preceding taxation year	.....	+		A
Deduct: Donations expired after 5 taxation years	.....	–		B
Charitable donations at beginning of taxation year	.....	=		C
Add: Donations transferred on amalgamation or wind-up of subsidiary	.....	+		D
Total current year charitable donations made	.....	+	3,406	E
Subtotal D + E	.....	=	3,406	F
Total donations available C + F	.....	=	+	3,406 G
Deduct: Amount applied against taxable income (amount T)	.....	–	3,406	T
Charitable donations closing balance	.....	=		H

Part 2 – Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75%	.....	=	571,395	I
Note: For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.				
Ontario taxable capital gains arising in respect of gifts of capital property	.....	+		J
Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA	.....	+		K
Add the lesser of:				
1. The amount of the recapture of capital cost allowance in respect of charitable gifts	.....			L
2. The lesser of:				
2a. Proceeds of dispositions less outlays and expenses	.....			M
2b. The capital cost	.....			N
The lesser of M and N	.....	▶		O
The lesser of L and O	.....	▶	+	P
Subtotal J + K + P	.....	=		Q
25% X	.....			R
Maximum deduction allowable I + R	.....	=	571,395	S
Claim for charitable donations (not exceeding the lesser of G from Part 1, S and net income for tax purposes)	.....		3,406	T

Enter in 1 of the CT23

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2005-12-31
---	---	---------------------------------

Part 3 – Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Foundation at end of the preceding taxation year +	
Deduct: Gifts expired after 5 years -	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year +	
Add: Gifts transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts +	
Subtotal =	
Deduct: Amount applied against taxable income <input type="text" value="2"/> of the CT23 -	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance =	

Foundation Name	Date of Donation	Amount \$

Total gifts to Her Majesty in right of Ontario =

Part 4 – Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario **U**

2. **Lesser of:**

2a. Ontario Net Income for the taxation year **V**

2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation **W**

The lesser of **V** and **W** **X**

Maximum deduction allowable the lesser of **U** and **X** **Y**

Transfer to of the CT23

Part 5 – Gifts to Canada or a province other than Ontario

Gifts to Canada or a province other than Ontario at the end of the preceding year +	
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years -	
Gifts to Canada or a province other than Ontario at the beginning of the taxation year +	
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary +	
Total current year Gifts to Canada or a province other than Ontario <i>(Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date.)</i> +	
Subtotal =	
Deduct: Amount applied against taxable income -	
Gifts to Canada or a province other than Ontario closing balance =	

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Part 6 – Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year +	
Deduct: Gifts of certified cultural property expired after five years -	
Gifts of certified cultural property at the beginning of the taxation year +	
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts of certified cultural property +	
Subtotal =	
Deduct: Amount applied against taxable income -	
Gifts of certified cultural property closing balance =	

Part 7 – Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year +	
Deduct: Gifts of certified ecologically sensitive land expired after five years -	
Gifts of certified ecologically sensitive land at the beginning of the taxation year +	
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts of certified ecologically sensitive land +	
Subtotal =	
Deduct: Amount applied against taxable income -	
Gifts of certified ecologically sensitive land closing balance =	

Part 8 – Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
2000-12-31					
1999-12-31					
Totals					

Non-Capital Loss Continuity Workchart – Ontario

Non-capital losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2004		N/A		N/A		
2003	922,953	N/A		N/A	537,181	385,772
2002		N/A		N/A		
2001	219,204	N/A		N/A	219,204	
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		*
Total	1,142,157				756,385	385,772

Farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		
1995		N/A		N/A		*
Total						

Restricted farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		
1995		N/A		N/A		*
Total						

* This balance expires this year and will not be available next year.

**Ontario Capital Cost Allowance
Schedule 8**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Is the corporation electing under regulation 1101(5q)? 1 ☐ Yes 2 ☒ No

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	2,486,183	171,293		0	2,657,476	85,647	2,571,829	4	0	0	102,873	2,554,603
1	5,319,567			0	5,319,567		5,319,567	4	0	0	212,783	5,106,784
1	9,181,661	1,242,024	-150,670	0	10,273,015	621,012	9,652,003	4	0	0	386,080	9,886,935
1	3,040,078	261,549	-24,351	0	3,277,276	130,775	3,146,501	4	0	0	125,860	3,151,416
1	1,424,781	44,645		0	1,469,426	22,323	1,447,103	4	0	0	57,884	1,411,542
8	255,569	38,661		34,110	260,120	2,276	257,844	20	0	0	51,569	208,551
10	355,335	53,723		1,911	407,147	25,906	381,241	30	0	0	114,372	292,775
12	58,051	90,511		0	148,562	45,256	103,306	100	0	0	103,306	45,256
45		45,323		0	45,323	22,662	22,661	45	0	0	10,197	35,126
Totals	22,121,225	1,947,729	-175,021	36,021	23,857,912	955,857	22,902,055				1,164,924	22,692,988

Enter in boxes **650** **650** **650** on the CT23.

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act*(Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.



Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Ontario Cumulative Eligible Capital Deduction
Schedule 10

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

- For use by a corporation that has eligible capital property.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Ontario Cumulative eligible capital – balance at end of preceding taxation year (if negative, enter zero)	.....	2,183,166	A
Add: Cost of eligible capital property acquired during the taxation year	.. +		B
Amount transferred on amalgamation or wind-up of subsidiary	... +		C
Other adjustments	..... +		D
Total of B + C + D =		
	x 3 / 4 =		E
Subtotal A + E	..... =	2,183,166	F
Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	..... +		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the Income Tax Act (Canada)	..... +		H
Other adjustments	..... +		I
Total of G + H + I =		
	x 3 / 4 =		J
Ontario cumulative eligible capital balance F - J	..... =	2,183,166	K

If K is negative, enter zero at line M and proceed to Part 2

Current year deduction 2,183,166 K x 7 % * = 152,822 L

* The maximum current year deduction is 7%. However, you can claim any amount up to the maximum.

Enter amount in box 651 of the CT23

Ontario cumulative eligible capital – closing balance K - L (if negative, enter zero) = 2,030,344 M

Note: Any amount up to the maximum deduction of 7% may be claimed. Taxation years starting after December 21, 2000, the deduction may not exceed the maximum amount prorated for the number of days in the taxation year divided by 365 or 366 days.

Part 2 – Amount to be included in income arising from disposition

Only complete this part only if the amount at line K is negative

Amount from line K above show as a positive amount	.....		N
Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988	.....	1	
Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA	.....	2	
Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988	.....	3	
Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988	.....	4	
Line 3 deduct line 4	.....	5	
Total lines 1 + 2 + 5	.....	6	
Line T from previous Ontario Schedule 10 for taxation years ending after February 27, 2000	.....	7	
Deduct line 7 from line 6	.....	
N - O (cannot be negative)	.....		O
Amount on line 5	x 1 / 2		P
P - Q	.....		Q
Amount on line R	x 2 / 3		R
Lesser of line N or line O	.....		S
Amount to be included in income S + T	.....		T

Note: For taxation years ending after February 27, 2000 and before October 18, 2000 use 8/9 to calculate S



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

For use by a corporation to provide a continuity of all reserves claimed which are allowed for tax purposes.

Part 1 – Capital gains reserves

Description of property	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
1					
Totals	A	B			C

The total capital gains reserve at the beginning of the taxation year **A** plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary **B**, should be entered on Schedule 6; and the total capital gains reserve at the end of the taxation year **C**, should also be entered on Schedule 6.

Part 2 – Other reserves

Description	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
Reserve for doubtful debts	672,871			9,998	662,873
Reserve for undelivered goods and services not rendered			331,931		331,931
Reserve for prepaid rent					
Reserve for December 31, 1995 income					
Reserve for refundable containers					
Reserve for unpaid amounts					
Other tax reserves					
Totals	D 672,871	E	331,931	9,998	F 994,804

The amount from **D** plus the amount from **E** should be entered in **607** of the CT23.

The amount from **F** should be entered in **654** of the CT23.

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
PILs deferred revenue reserv	52,529			115,955		-63,426
Pension Liability	1,395,498		46,584			1,442,082
Reserves from Part 2	672,871			9,998		662,873
Totals	2,120,898		46,584	125,953		2,041,529

Enter in box **653** of the CT23

Enter in box **606** of the CT23



Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Cooperative Education Tax Credit (CETC) CT23 Schedule 113

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2005-12-31

Instructions for completing the CETC Claim Form

- Enter the relevant details for each qualifying work placement, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each qualifying work placement.
- Enter the total tax credit claimed on line 192, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
 - The maximum amount of credit that can be claimed in respect of each work placement is \$1,000.
- Ensure you have the following documentation (Do not include with the form or tax return.):
 - a letter of certification from the Ontario college, university other post-secondary institution, containing information as specified by the Minister, stating that the student is enrolled in a qualifying education program; or
 - a voucher for leading-edge technology programs, other than an apprenticeship, stating that the educational program meets the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.
- The credit is **considered government assistance** and is therefore **to be included in income** in the year the credit is claimed.

Summary of Co-operative Education Tax Credit Claimed

Complete a separate entry for each student work placement which ended during the corporation's taxation year. The tax credit is for co-op work placements and leading-edge technology work placements. A work placement is generally considered to be a full-time work assignment for up to 4 months in duration.

Example: If a corporation, with a December 31, 2001 taxation year end, hires an eligible student from September 1, 2001 until April 30, 2002, this would be considered 2 work placements. The first work placement is September 1, 2001 to December 31, 2001 and would be claimed in the 2001 taxation year. The second placement is January 1, 2002 to April 30, 2002 and must be claimed in the 2002 taxation year.

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates	Eligible Costs of Placement (ECP)	* Credit Claimed (See notes below) (max. \$1,000 per work placement)
Niagara College Engineering Technolog	Tom Wilga	533 426 888	year month day From 2005-05-24	1,948	292
			To 2005-09-02		
			From		
			To		
			From		
			To		
If insufficient space, attach schedule				5774	5798
Totals				1,948	292

If insufficient space, attach schedule

Transfer to 192 on Page 7 of the CT23 Long
or Page 4 of the CT23 Short,
or Page 4 of the CT8

Note: Enter corporation's salaries & wages paid in the preceding taxation year A \$

If A is \$600,000 or greater use 10%. If A is \$400,000 or less use 15%.

If A is over \$400,000 but less than \$600,000 use the following formula to calculate the rate:

Rate = .15 - [.05 (From A - \$400,000) ÷ \$200,000]

Indicate rate used: 15.0000%. *Credit claimed equals ECP multiplied by rate.

Corporate Taxpayer Summary

Summary of federal information

Taxation Year: 2005-01-01 to 2005-12-31Jurisdiction: OntarioCorporation is associated YCorporation is related Y

Balance due/refund (–)		Active business income	<u>759,791</u>
Net income	<u>761,860</u>	Taxable income	<u>Dividends paid 100,000</u>

Credits against part I tax

Small bus deduction
 M&P deduction
 Foreign tax credit
 Political contributions
 Investment tax credits
 Abatement/Other

Federal taxes

Part I
 Surtax
 Part I.3
 Part IV
 Part I & Surtax
 Other

Refunds/credits

ITC refund
 Dividends refund
 Instalments
 Surtax credit
 Other

Summary of federal carryforward/carryback information

Carryback amounts

Investment tax credits
 Non-capital loss
 Capital loss
 Farm loss
 Restricted farm loss
 Surtax credit
 Part I tax credit (Schedule 42)

Carryforward balances

RDTOH
 Donations
 Investment tax credits
 Non-capital losses
 Capital/L.P.P. losses
 Farm losses
 Restricted farm losses
 Foreign business tax credit
 Unused surtax credit
 Capital dividend amount
 Part I tax credit (Schedule 42)

Summary of provincial information – provincial income tax payable

Province	% Allocation	Taxable income	Tax payable before deduction	Deductions/credits	Net tax payable
Newfoundland and Labrador . . .					
Prince Edward Island					
Nova Scotia					
New Brunswick					
Manitoba					
Saskatchewan					
British Columbia					
Yukon Territory					
Northwest Territories					
Nunavut					
Totals per Federal T2 and Schedule 5					
Alberta (AT1)					
Ontario (CT23)	100.00			292	
Québec (CO-17)					

Summary of taxes payable to provinces and provincial carryforward amounts

Province	Taxable capital	Capital tax payable*	Income tax payable	Total tax payable	Balance due/ refund (-)
B.C. (General)			—		
B.C. (Special)			—		
Sask. (SCT-1)			—		
Manitoba (MCT-1) . .			—		
Alberta (AT1)	—	—			
Schedule 361			—		—
Schedule 342			—		—
Ontario (CT23)	29,111,520	64,662		66,653	-6,347
Québec (CO-17) . . .					

* For Québec, this includes compensation tax and special taxes

Provincial carryforwards:

	Ontario	Québec	Alberta
Non-capital losses	385,772		
Net capital/L.P.P losses			
Farm losses			
Restricted farm losses			
Donations			

Five Year Comparative Summary

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Federal information					
Taxation year end	<u>2005-12-31</u>	<u>2004-12-31</u>	<u>2003-12-31</u>	<u>2002-12-31</u>	<u>2001-12-31</u>
Balance due/refund					
Net income	<u>761,860</u>	<u>479,414</u>	<u>-955,380</u>		
Taxable income					
Active business income	<u>759,791</u>	<u>476,993</u>			
Dividends paid	<u>100,000</u>	<u>2,500</u>			
Federal taxes					
Part I					
Surtax					
Part I.3			<u>43,976</u>		
Part IV	<u>690</u>	<u>807</u>			
Other federal taxes (Parts II, IV.1, VI, VI.1, XIII.1, XIV)					
Credits against part I tax					
Small business deduction					
M&P deduction					
Foreign tax credit					
Political contribution					
Investment tax credit					
Abatement/other					
Refunds/credits					
ITC refund					
Dividend refund	<u>690</u>	<u>807</u>			
Instalments			<u>43,976</u>		
Other					
Ontario					
Taxable income		<u>2,294</u>			
Income tax payable before deduction		<u>321</u>			
Income tax deductions /credits	<u>292</u>	<u>321</u>			
Net income tax payable					
Taxable capital	<u>29,111,520</u>	<u>29,038,562</u>	<u>28,240,637</u>		
Capital tax payable	<u>64,662</u>	<u>72,117</u>	<u>69,722</u>		
Total tax payable	<u>66,653</u>	<u>72,117</u>	<u>69,722</u>		
Balance due/refund	<u>-6,347</u>	<u>-41,583</u>	<u>-294,153</u>		

Welland Hydro-Electric System Corp.

2005 Notice of Assessments

ario

Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Account No.
1800215

35
PX5003

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
C/O ROSS PEEVER
950 EAST MAIN ST
P O BOX 280
WELLAND
L3B 5P6

ON

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998

Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	5	1	2	3	1
---	---	---	---	---	---	---	---

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Total Payment
Enclosed: \$

--	--	--	--	--	--	--	--	--	--



Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2005/01/01 to 2005/12/31

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

ASSESSMENT NO. 77

Account No.	Assessment Date (year, month, day)	Page
1800215	2006/10/04	2 of 2

Tax: Federal and Provincial PIL
Assessment Interest

66,653.00
657.81CR
65,995.19

Total Assessment Liability

SUMMARY OF 2005/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

73,000.00CR

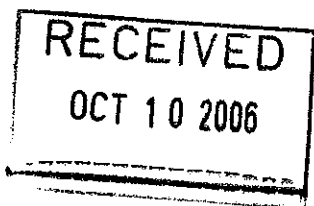
Sub-Total

73,000.00CR
7,004.81CR

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable
by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of
tax, penalty and interest for which you are assessed.

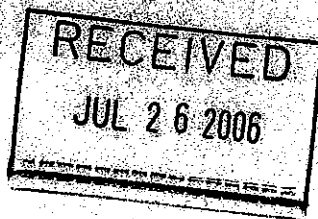
Total tax assessed as per company estimate



Notice of Assessments
Provincial 2005



St. John's NL A1B 3Z1



Page 1 of 6

WELLAND HYDRO-ELECTRIC SYSTEM
CORP
C/O ROSS PEEVER
PO BOX 280
WELLAND ON L3B 5P6

Date of mailing	July 21, 2006
Business Number	86375 9692 RC0001
Taxation year-end	December 31, 2005

0001756

CORPORATION NOTICE OF ASSESSMENT

RESULTS

This notice explains the results of our assessment of the T2 Corporation Income Tax Return for the taxation year indicated above. It also explains any changes we may have made to the return.

Result of this Assessment :	\$	0.00
Prior balance:	\$	0.00
		=====
Total balance:	\$	0.00 ✓

Please refer to the Summary and Explanation for additional information.

Notice of Assessments
Federal 2005

Welland Hydro-Electric System Corp.

2006 Financial Statments

Financial Statements of

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

December 31, 2006



Deloitte & Touche LLP
1005 Skyview Drive
Suite 202
Burlington, Ontario
L7P 5B1
Canada

Tel: (905) 315-6770
Fax: (905) 315-6700
www.deloitte.ca

Auditors' Report

To the Board of Directors of
Welland Hydro-Electric System Corp.

We have audited the balance sheet of Welland Hydro-Electric System Corp. (the Company) as at December 31, 2006 and the statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company 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.

Chartered Accountants
Licensed Public Accountants

March 9, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Earnings and Retained Earnings	1
Balance Sheet	2
Statement of Cash Flows	3
Notes to the Financial Statements	4-16

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Statement of Earnings and Retained Earnings**

Year ended December 31, 2006

	2006	2005
SERVICE REVENUE		
Residential	\$ 9,887,863	\$ 9,145,841
General	19,812,323	19,957,090
Large user	6,336,324	9,352,137
	36,036,510	38,455,068
Distribution revenue	6,345,195	5,226,331
	42,381,705	43,681,399
COST OF POWER	36,036,510	38,455,068
GROSS MARGIN ON SERVICE REVENUE	6,345,195	5,226,331
OTHER OPERATING REVENUE	835,858	612,457
NET OPERATING REVENUE	7,181,053	5,838,788
ADMINISTRATIVE EXPENSE		
Operating and maintenance	1,863,196	1,771,669
Billing and collection	523,902	883,187
General administration	1,198,763	950,866
AMORTIZATION	1,542,164	1,493,388
TOTAL EXPENSES	5,128,025	5,099,110
EARNINGS BEFORE FINANCIAL EXPENSE	2,053,028	739,678
FINANCIAL EXPENSE (INCOME)		
Interest expense	586,726	687,843
Reversal of Regulatory Asset Provision (Note 6)	(1,161,290)	-
EARNINGS BEFORE PAYMENTS IN LIEU OF TAXES	2,627,592	51,835
Payments in lieu of taxes	608,675	-
NET EARNINGS FOR THE YEAR	2,018,917	51,835
RETAINED EARNINGS, BEGINNING OF YEAR	495,303	543,468
DIVIDENDS	(1,300,000)	(100,000)
RETAINED EARNINGS, END OF YEAR	\$ 1,214,220	\$ 495,303

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Balance Sheet**

December 31, 2006

	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 8,006,110	\$ 9,370,760
Investments	35,188	35,188
Accounts receivable (Note 4)	2,035,851	1,474,254
Accounts receivable - unbilled revenue	5,506,136	5,216,400
Taxes receivable	-	76,343
Inventories	470,431	545,861
Prepaid expenses	10,488	10,611
	16,064,204	16,729,417
DUE FROM RELATED PARTIES (Note 10)	123,716	172,337
PROPERTY, PLANT AND EQUIPMENT (Note 5)	19,403,986	18,957,811
NON-RETAIL SETTLEMENT VARIANCES (Note 6)	177,491	1,096,754
OTHER DEFERRED ASSETS	-	63,426
	\$ 35,769,397	\$ 37,019,745
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 4,328,347	\$ 4,992,496
Customer deposits - current portion	700,989	517,034
Current portion - liability for employee future benefits (Note 12)	70,545	67,900
Current portion - note payable (Note 11)	-	87,500
Taxes payable	-	-
Conservation demand management (Note 7)	446,847	331,930
Smart Meter Program (Note 7)	40,359	-
Other current liabilities	9,608	1,690,972
	5,596,695	7,687,832
LONG-TERM DEBT		
Note payable (Note 11)	13,499,953	13,412,453
OTHER LONG-TERM LIABILITIES		
Employee future benefits (Note 12)	1,416,801	1,374,181
Other liabilities and deferred credits	6,540	-
Customer deposits - long-term portion	451,850	466,638
	1,875,191	1,840,819
	20,971,839	22,941,104
CONTINGENCIES (Note 15)		
SHAREHOLDER'S EQUITY		
Share capital (Note 14)	12,953,180	12,953,180
Contributed capital	630,158	630,158
Retained earnings	1,214,220	495,303
	14,797,558	14,078,641
	\$ 35,769,397	\$ 37,019,745

APPROVED BY THE BOARD

..... Director

WELLAND HYDRO-ELECTRIC SYSTEM CORP.**Statement of Cash Flows****Year Ended December 31, 2006**

	2006	2005
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net earnings	\$ 2,018,917	\$ 51,835
Items not requiring a cash outlay		
Amortization	1,542,164	1,493,388
Gain on disposal of property, plant and equipment	(10,991)	(8,461)
Change in employee benefits future - long-term	42,620	56,797
	3,592,710	1,593,559
Changes in non-cash operating working capital items (Note 13)	(2,703,074)	1,877,648
Net change in non-retail settlement variances	919,263	544,108
	1,808,899	4,015,315
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,002,021)	(1,775,257)
Net proceeds on disposal of property, plant and equipment	24,673	36,016
Change in due from related parties	48,621	(134,807)
	(1,928,727)	(1,874,048)
FINANCING ACTIVITIES		
Dividends	(1,300,000)	(100,000)
Other liabilities and deferred credits	6,540	(52,529)
Other deferred assets	63,426	(63,426)
Change in customer deposits - long-term	(14,788)	166,120
	(1,244,822)	(49,835)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,364,650)	2,091,432
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,370,760	7,279,328
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,006,110	\$ 9,370,760
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest paid	\$ 580,127	\$ 711,841
Payment in lieu of income taxes	\$ 27,616	\$ 74,424

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

1. NATURE OF OPERATIONS

Welland Hydro-Electric System Corp. (the Company), is a wholly-owned subsidiary of Welland Hydro-Electric Holding Corp., and was incorporated July 1, 2000 under the *Business Corporations Act (Ontario)*.

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to homes and business in the City of Welland. The corporation 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, and for ensuring that distribution companies fulfill their obligations to connect and service customers.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998. Significant accounting policies are summarized below:

Regulation

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment:

Regulatory assets

Regulatory assets represent future revenues associated with costs incurred in the current or prior periods, which are expected to be recovered from customers in future periods through the rate setting process.

Regulatory assets result from the provincially approved rate of the OEB and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year-end relate primarily to retail settlement variance accounts, pre-market opening cost of power variances and transition costs. Transition costs consist primarily of qualifying capital and related costs incurred in the preparation of market opening. Regulatory assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator. Asset balances and current year activities are detailed in Note 6.

In March 2006, the OEB approved for inclusion in rates the Regulatory Assets incurred by the Company through December 31, 2004. These Regulatory Assets are expected to be fully recovered by April, 2008. Regulatory Assets incurred in 2005 and 2006 are subject to review by the OEB for reflection in future rates. Regulatory Assets will be reflected in the balance sheet until the manner and timing of disposition is determined by the OEB.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
Notes to the Financial Statements
December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Ontario Energy Board Amendments Act (Electricity Pricing), 2003, in conjunction with Bill 4, allows for recovery of regulatory assets. The 2006 rate decision included approval to recover regulatory asset balances to December 31, 2004 based on a variable charge over a two-year period beginning with the rate change on May 1, 2006. . The OEB currently regulates distribution rates based upon cost-of-service methodology. For 2005, a rate of return of 6.59%, plus a deemed debt rate of 4.83% was used in determining rates. For 2006, a rate return of 9%, plus a deemed debt rate of 6.25% has been submitted as part of the rate determination process.

Contributions in aid of construction

Subdivision developers as part of their contract with the corporation can request that an economic evaluation be performed based on the number of services connected in their project. The economic evaluation guidelines were created by OEB and software developed to calculate the net present value of expected revenue net of expected maintenance costs for the next 25 years. This calculation is used to determine the value of the asset to be assumed by the corporation and is reviewed over the first five years. Any assets assumed by the corporation will be treated as post 1999 contributed capital. As at December 31, 2006 the value of such contributed capital was \$631,962 (2005 - \$442,034) which has been recorded as a reduction in property, plant and equipment.

Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

Payment in lieu of income taxes

Under the *Electricity Act, 1998*, the Company is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation, for the period commencing October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Corporation Tax Act* (Ontario) and modified by the *Electricity Act, 1998*, and related regulations.

The Company, regulated by the OEB, provides for payments-in-lieu of corporate income taxes using the taxes payable method instead of the liability method.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Future income taxes are expected to be reflected in future rates and, accordingly, are not recognized in the financial information. When future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from customers of the Corporation at that time.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
Notes to the Financial Statements
December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

Investments

Investments are recorded at cost.

Inventories

Inventories consist primarily of construction and maintenance materials and are stated at the lower of cost and net realizable value, with cost being determined using the weighted average method.

Spare meters and transformers

As prescribed by the OEB Accounting Procedures Manual, spare transformers and meters were included in capital assets as at December 31, 2006. The carrying amount transferred in respect of this was \$382,629 in 2006 (2005 – \$463,192).

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated on a straight-line basis over the useful service lives as follows:

Land and land rights	50 years or effective life
Buildings	50 years
Distribution stations	30 years
Poles and overhead/underground lines	25 years
Distribution	
Transformers	25 years
Distribution meters	25 years
Equipment	4-30 years

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development, or through normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits include interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability. Deposits earn interest at a rate of the Bank of Canada Prime Business rate less two percent updated quarterly and accrued monthly.

Post employment benefits other than pension

The Company provides its current and applicable retired employees to age 65 with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

Use of estimates

Management is required to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported net of an appropriate allowance for unrecoverable amounts. Inventory is recorded net of provision for obsolescence. Certain estimates are also required as regulations, which ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits and within the framework of the accounting policies.

Revenue recognition

Revenue is recognized on an accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and the associated cost of power distributed are charged to regulatory assets.

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter reading during the year to the balance sheet date.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

3. BANK INDEBTEDNESS

The Company has an authorized line of credit of \$2,000,000, bearing interest at prime. There is no balance outstanding at December 31, 2006 (2005 – \$0). The line is secured by a general security agreement representing a first floating charge over all assets whether obtained now or in the future.

The Company has a credit card facility of \$45,000, of which there is no balance outstanding at December 31, 2006 (2005 – \$0).

4. ACCOUNTS RECEIVABLE

	2006	2005
Electrical energy	\$ 2,017,025	\$ 2,066,504
Other	115,293	70,623
	2,132,318	2,137,127
Less allowance for doubtful accounts	(96,467)	(662,873)
	\$ 2,035,851	\$ 1,474,254

The allowance for doubtful accounts at December 31, 2005 pertained primarily to one customer that filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on January 24, 2004. In April, 2006, this company exited from CCAA protection and a settlement was received resulting in reversal of the allowance of \$565,140 to income in the current year.

The allowance for doubtful accounts at December 31, 2006 comprises customer accounts which have been sent to a Credit Collection Agency and for which the likelihood of recovery is small. These amounts are written off as bad debts after a period of one year if not collected.

5. PROPERTY, PLANT AND EQUIPMENT

	2006			2005
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and land rights	\$ 228,983	\$ 56,669	\$ 172,314	\$ 167,687
Buildings	1,843,024	777,703	1,065,321	963,430
Distribution stations	3,737,923	1,917,225	1,820,698	1,928,836
Poles and lines	23,529,773	11,361,615	12,168,158	11,838,444
Distribution				
Transformers	4,822,434	2,179,990	2,642,444	2,632,026
Distribution meters	2,239,374	1,258,131	981,243	1,031,858
Equipment	3,570,577	3,016,769	553,808	395,530
	\$ 39,972,088	\$ 20,568,102	\$ 19,403,986	\$18,957,811

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

6. REGULATORY ASSETS

	2006	2005
Variance Accounts, Beginning of Year	\$ 3,555,924	\$ 3,271,412
Current Year Regulated Interest	56,340	172,593
Current Year Change in		
Deferred payments in lieu of taxes	69,967	(115,955)
Current Year Deferred Charges	30,415	180,249
Current Year Regulated Settlement		
Variances (Favourable)/Unfavourable	(1,421,630)	47,625
Variance Accounts, End of Year	2,291,016	3,555,924
Less Recoveries to Date	(2,113,525)	(1,297,880)
Less: Provision	-	(1,161,290)
Ending Regulatory Assets	\$ 177,491	\$ 1,096,754
Interest Included in the Ending		
Regulatory Assets Balances	\$ 75,572	\$ 520,111

Regulatory Assets consist of differences between the amounts owed to the Independent Electricity System Operator ("IESO") and the amounts billed to customers and retailers (Settlement Variances) and expenses deferred for consideration by the Ontario Energy Board ("OEB") for recovery in future rates (Deferred Charges).

In April, 2006 the Ontario Energy Board approved for recovery in rates, all Regulatory Asset balances as of December 31, 2004 (excluding Deferred payments in lieu of taxes) and the associated regulated interest for these balances through April 30, 2006. A total of \$3,332,835 has been approved for recovery in rates of which \$2,113,525 has been collected as of December 31, 2006. The balance of \$1,219,310 is scheduled for recovery between January 2007 and April 2008. As a result of obtaining final approval to include transition costs and pre-market opening energy variances in rates, the provision of \$1,161,290 was reversed in the current year. Regulatory Liabilities incurred in 2005 and 2006 totalling \$1,041,819 are not reflected in current rates. Management expects that all Regulatory Assets will be reflected in future rate approvals by the OEB.

In the absence of rate regulation, GAAP would require that the Cost of Power (including regulated settlement variances) be expensed as incurred. Deferred Charges would also be expensed as incurred and regulated interest amounts would be reversed. In the absence of rate regulation, Cost of Power would be \$1,421,630 lower in 2006 (\$47,625 higher in 2005), interest income would be \$56,340 lower in 2006 (\$172,593 lower in 2005), and Administrative Expense would be \$30,415 higher in 2006 (\$180,249 higher in 2005). The net effect, in the absence of rate regulation, is a pre-tax increase in net income of \$1,334,875 for 2006 (\$400,467 pre-tax decrease in net income in 2005).

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

7. CONSERVATION DEMAND MANAGEMENT/SMART METERS

The Ontario Minister of Energy has mandated a new design for the energy sector, where reliable and affordable delivery of power is provided in a way that does not threaten the environment. The government through the OEB has developed a method of promoting both demand side management (sustained reductions in energy use) and demand response (short-term reduction in peak energy demand).

The Ontario Government beginning March 1, 2005 permits Distributors to apply to the OEB for an investment in conservation demand management. Once accepted the investment is to be funded from one year of the third phase of Electricity Distribution Market Base Rate ("MBRR"). An investment plan of \$694,106 in Conservation Demand management plan filed by Welland Hydro was approved and all funds have been collected from customers. Approved projects must be completed by September 30, 2007 to remain eligible for funding.

During the year the Company collected \$187,261 from customers for Conservation Demand Management and made expenditures of \$72,344. The net balance of revenue over expenditures totals \$446,847 (2005 - \$331,930).

The Province of Ontario has committed to have smart electricity meters installed in all homes and small businesses by the end of 2010. In the 2006 Generic Decision (EB-2005-0529) the OEB allowed a preliminary smart metering rate adder to provide initial funding for smart meter investment and to help smooth potential rate impacts. This rate adder became effective May 1, 2006. During the year the Company collected \$39,894 from customers for smart metering and incurred interest charges of \$465, making a total liability of \$40,359.

8. ONTARIO PRICE CREDIT REBATE

As of December 31, 2005 the Company owed \$1,653,397 (included in other current liabilities) to customers and electricity retailers in relation to the Ontario Price Credit Rebate. During 2006 a total of \$1,651,412 was paid out leaving a balance of \$1,985 remaining to be disbursed as at December 31, 2006.

9. PENSION AGREEMENT

The Company 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, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As the Company is only liable for the contributions, defined contribution plan accounting is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2006 was \$172,261 (2005 - \$153,130).

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

10. DUE TO (FROM) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company provides overall business and strategic planning through its Board of Directors and will negotiate on behalf of Welland Hydro Energy Services Corp. and Welland Hydro-Electric Holdings Corp. other corporate programs such as risk management. The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange.

Amounts due to (from) related parties at December 31 are as follows:

	2006	2005
Welland Hydro Energy Services Corp.		
- Accounts payable	\$ 2,548	\$ -
- Accounts receivable	-	(17,356)
- Loan receivable	(28,927)	(28,927)
- Notes receivable	(1)	(34,000)
	(1,280)	-
Welland WIFI Corp.	(12,080)	(4,659)
Welland Hydro-Electric Holding Corp.	(83,976)	(87,396)
City of Welland - accounts receivable	\$ (123,716)	\$ (172,338)

The following payments were received from related parties in the normal course of operations:

	2006	2005
City of Welland		
- Energy (at commercial rates)	\$ 902,517	\$ 734,127
- Rent	10,223	-
Welland Hydro Energy Services Corp.		
- Rent	2,400	2,400
- Interest	2,370	2,040
- Streetlight maintenance	154,515	204,814
	\$ 1,072,025	\$ 943,381

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Company has entered into a service level agreement with Welland Hydro Energy Services Corp. The Company is to provide services related to customer billing and collection, accounting and administration at a 7% premium above the actual costs incurred.

The following expenses with the City of Welland were incurred in the regular course of operations:

	<u>2006</u>	<u>2005</u>
Property and other taxes	\$ 91,204	\$ 93,086
Waste disposal/construction	7,550	6,330
Water	2,601	3,211
Interest	562,500	653,398
	<u>\$ 663,855</u>	<u>\$ 756,025</u>

11. NOTE PAYABLE

The note is due to the City of Welland and bears interest at 6.25% per annum, beginning May 1, 2006. The interest is due 12 months after official demand by the City

12. EMPLOYEE FUTURE BENEFITS

The Company pays certain medical and life insurance benefits to age 65 on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2006 of \$1,487,346 (2005 - \$1,442,081) and the related expense for the year ended December 31, 2006 was determined by actuarial valuation using a discount rate of 5.0% (2005 - 5.0%).

Information regarding the defined benefit plan of the Company is as follows:

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
Notes to the Financial Statements
December 31, 2006

12. EMPLOYEE FUTURE BENEFITS (continued)

	2006	2005
Accrued benefit liability at January 1, 2006	\$ 1,442,081	\$ 1,395,498
Current service cost	32,016	30,491
Interest cost	74,118	72,182
Amortization of actuarial loss	7,031	7,031
Benefits paid for the period	(67,900)	(63,121)
Total accrued benefit liability, end of period	\$ 1,487,346	\$ 1,442,081
Projected accrued benefit obligation, end of period	\$ 1,522,502	\$ 1,484,270
Unamortized actuarial loss	\$ (35,156)	\$ (42,189)
Current portion	\$ 70,545	\$ 67,900
Long-term portion	1,416,801	1,374,181
	\$ 1,487,346	\$ 1,442,081

The main actuarial assumptions utilized for the valuation are as follows:

General Inflation – future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2006 and thereafter.

Discount (Interest) Rate – the obligation as at January 1, 2006 of the present value of future liabilities and the expense for the year ended December 31, 2006 were determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.0%. The projected liability at December 31, 2006 was determined using a discount rate of 5.0%.

Salary Levels – future general salary and wage levels were assumed to increase at 3.1% per annum.

Medical Costs – medical costs were assumed to increase at the CPI rate plus a further increase of 10.0% in 2005 through to 2007, decreasing to 5% by 2012.

Dental Costs – dental costs were assumed to increase at the CPI rate plus a further increase of 5% in 2005 and thereafter.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

13. CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS

	2006	2005
Accounts receivable	\$ (561,597)	\$ 446,414
Accounts receivable - unbilled revenue	(289,736)	(1,084,077)
Taxes receivable	76,343	(34,143)
Inventories	75,430	(23,924)
Prepaid expenses	123	77,860
Accounts payable and accrued liabilities	(664,149)	2,492,281
Customer deposits - current portion	183,955	(303,488)
Current portion - liability for future employee benefits	2,645	(10,214)
Smart Meter Program	40,359	-
Conservation demand management	114,917	331,930
Other current liabilities	(1,681,364)	(14,991)
	<u>\$ (2,703,074)</u>	<u>\$ 1,877,648</u>

14. SHARE CAPITAL

	2006	2005
Authorized		
Unlimited number of common shares		
Issued		
1,000 common shares	\$ 12,953,180	\$ 12,953,180

15. CONTINGENCIES

a) Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the *Class Proceedings Act, 1992*. The plaintiff class seeks \$500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("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 Inc. (formerly Consumers Gas).

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 Enbridge, 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 the damages payable by Enbridge.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

15. CONTINGENCIES (continued)

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers 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 Consumers Gas.

Welland Hydro collected total late payment penalties of \$1,222,985 from and after 1994. No determination of the portion of these payments which may have constituted interest at an impermissible rate has been made.

b) The Corporation participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.

c) As of May 1, 2002 in order for the Company to obtain the electricity it requires to distribute to its customers, the Company was required to provide security to the Independent Electricity System Operator (IESO) based on its usage. The security obtained was a letter of credit from a financial institution, which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio of less than 0.5. The letter is in the amount of \$3,241,224 and incurs interest at 0.6% annually

16. FUTURE INCOMES TAXES

The Company follows the income taxes payable method of accounting for income tax. If the liability method of accounting for income taxes were used, a future tax asset of \$2,164,629 would be recorded at December 31, 2006 (2005 - \$2,245,377).

17. COMMITMENTS

The Company has an agreement to contribute to the costs of power connections and power lines in new subdivisions built in the City of Welland. The Company will take over the ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction of subdivisions in 2006 was \$38,061 (2005 - \$175,021). The estimated contribution for 2007 is \$100,000.

18. FINANCIAL INSTRUMENTS

Fair value

The Company's recognized financial instruments consist of cash and cash equivalents, investments, accounts receivable, due from related parties, taxes receivable, accounts payable, notes payable, customer deposits and long-term debt.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Notes to the Financial Statements

December 31, 2006

18. FINANCIAL INSTRUMENTS (continued)

The fair values of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. As there is no secondary market for customer deposits, the calculation of their fair value with appropriate reliability is impractical.

It is not practical within the constraint of cost to determine the fair value of the note payable to parent with sufficient reliability.

The fair value of investments as at December 31, 2006 is \$138,836 (2005 - \$131,742).

Credit risk

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk. The company requires customers to provide security deposits subject to OEB requirements.

19. COMPARATIVE FIGURES

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

Welland Hydro-Electric System Corp.

2006 Tax Returns



BUSINESS CONSENT FORM

Use this form to consent to the release of confidential information about your Business Number (BN) account(s) to the representative named below, or to cancel consent for an existing representative.

- Complete Parts 1, 2, and 5 to name a representative.
- Complete Parts 3, 4 and 5 to cancel consent for an existing representative.
- Complete all parts of this form if you want to both name a new representative and cancel consent for an existing representative.

If you have questions, such as where to send this form, call us at 1-800-959-5525.

Part 1 – Consent to release of information to a representative

Client's name: WELLAND HYDRO ELECTRIC SYSTEM CORP. Business Number: 86375 9692 RC0001

I consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Deloitte & Touche LLP

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name.

(519) 650-7600

Representative's telephone number Extension

(519) 650-7601

Representative's fax number

Part 2 – Details of consent

A. Which accounts?

I request that this consent apply to all accounts. ☒ OR

I request that this consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to authorize access to more than one account of the same type, for example RP0002 and RP0003, please print account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	<u> </u>	RC	<u> </u>
GST/HST	RT0001	<input type="checkbox"/>	RT	<u> </u>	RT	<u> </u>
Payroll deductions	RP0001	<input type="checkbox"/>	RP	<u> </u>	RP	<u> </u>
Import/Export	RM0001	<input type="checkbox"/>	RM	<u> </u>	RM	<u> </u>

B. Which years?

I request that this consent apply to all years. ☒ OR

I request that this consent apply only to the following years:

1. All year-ends up to:
Year Month Day
2. All year-ends beginning in: and all years after that.
Year Month Day
3. The following year-ends only:

<u> </u>	<u> </u>
Year Month Day	Year Month Day
<u> </u>	<u> </u>
Year Month Day	Year Month Day

Part 3 – Cancellation of consent to release of information to a representative

Client's name: _____ Business Number: _____

I cancel all previous consents for all representatives. ☐ OR

I cancel my consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to cancel the consent for a particular individual of that firm, enter that individual's first and last name.

Representative's telephone number

Representative's fax number

Part 4 – Details of cancellation of consent

A. Which accounts?

I request that this cancellation of consent apply to all accounts. ☐ OR

I request that this cancellation of consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to cancel access to more than one account of the same type, for example RP0002 and RP0003, please print account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	_____	RC	_____
GST/HST	RT0001	<input type="checkbox"/>	RT	_____	RT	_____
Payroll deductions	RP0001	<input type="checkbox"/>	RP	_____	RP	_____
Import/Export	RM0001	<input type="checkbox"/>	RM	_____	RM	_____

B. Which years?

I request that this cancellation of consent apply to all years. ☐ OR

I request that this cancellation of consent apply only to the following years:

- All year-ends up to: _____
Year Month Day
- All year-ends beginning in: _____ and all years after that.
Year Month Day
- The following year-ends only: _____
Year Month Day Year Month Day
Year Month Day Year Month Day

Part 5 – Signature

Your name ROSS PEEVER Title PRESIDENT

This form must be signed by an owner, partner, director, trustee, or officer.

Sign here ► _____ Date 2007-06-18
Year Month Day

WE WILL NOT PROCESS THIS FORM IF IT IS NOT SIGNED

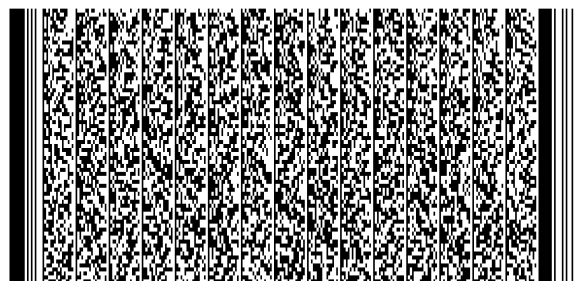
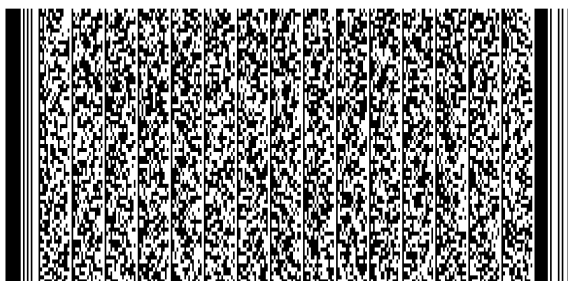
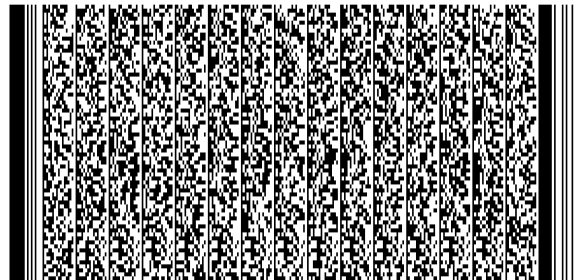
T2-RETURN AND SCHEDULE INFORMATION

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

For agency use
[055]



This page must be attached to your return and sent to the Canada Revenue Agency

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2006-12-31**For agency use
[055]

[001] 86375 9692 RC 0001

[060] 2006 01 01

[061] 2006 12 31

[099] EP07

XXXXXXXXXXXX

B

[002] WELLAND HYDRO ELECTRIC SYSTEM CORP.

[003] 2

[004] _____

XXXXXXXXXXXX

[010]@ 2

[011] _____

[012] _____

[015] _____

[016] _____

[017] _____

[018] _____

For agency use

[091] _____

[092] _____

[093] _____

[020]@ 2

[021] _____

[022] _____

[023] _____

[025] _____

[026] _____

[027] _____

[028] _____

For agency use

[094] _____

[095] _____

[096] _____

[100] _____

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[030]@ 2

[031] _____

[032] _____

[035] _____

[036] _____

[037] _____

[038] _____

XXXXXXXXXXXX

[040] 1 [166] _____ [220] _____

[043] _____ [167] _____ [221] _____

[063] 2 [168] _____ [227] _____

[065] _____ [169] _____ [231] _____

[067] 2 [170] _____ [232] _____

[070] 2 [171] _____ [233] 1

[071] 2 [172] _____ [236] 1

[072] 2 [173] 1 [237] _____

[076] 2 [201] 1 [238] _____

[078] 2 [202] 1 [242] _____

[080] 1 [203] 1 [243] _____

[081] _____ [204] 1 [244] _____

[082] 2 [205] _____ [249] _____

[085] _____ [206] _____ [250] _____

[150] 1 [207] _____ [253] _____

[151] _____ [208] 1 [254] _____

[160] 1 [210] 1 [255] _____

[161] _____ [212] _____ [256] _____

[162] _____ [213] 1

[163] _____ [216] _____

[164] _____ [217] _____

[165] _____ [218] _____

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[258]	_____	[284]	POWER DISTRIBUTION
[259]	_____	[286]	_____
[260]	_____	[288]	_____
[261]	_____	[285]	100
[262]	_____	[287]	_____
[263]	_____	[289]	_____
[264]	_____	[950]	PEEVER
[291]	2	[951]	ROSS
[292]	2	[954]	PRESIDENT
[370]	_____	[955]	2007 06 18
[435]	_____	[956]	905 732 1381
[438]	_____	[957]	1
[624]	_____	[958]	_____
[646]	_____	[959]	_____
[750]	ON		XXXXXXXXXXXXX
[801]	_____		
[894]	_____		
[896]	1		
[898]	_____		
[910]	_____		
[914]	_____		
[918]	_____		
[990]	1		
	XXXXXXXXXXXXX		
[280]	2		
[281]	2		
[282]	_____		
[283]	_____		

T2-RETURN AND SCHEDULE INFORMATION

200

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[300]	2 157 587	[440]	_____	[652]	_____
[311]	625	[445]	_____	[700]	364 098
[312]	_____	[450]	_____		XXXXXXXXXXXXX
[313]	_____	[600]	19 802		
[314]	_____	[632]	_____	[704]	_____
[320]	3 111	[636]	_____	[708]	_____
[325]	_____	[780]	_____	[716]	_____
[331]	385 772		XXXXXXXXXXXXX	[720]	_____
[332]	_____			[724]	_____
[333]	_____	[460]	690	[727]	_____
[334]	_____	[465]	690	[728]	_____
[335]	_____	[480]	_____	[760]	_____
[340]	_____	[485]	1 037	[765]	_____
[350]	_____	[712]	1 037	[770]	365 135
[355]	_____		XXXXXXXXXXXXX		XXXXXXXXXXXXX
[360]	1 768 079				
	XXXXXXXXXXXXX	[550]	671 870	[784]	1 037
		[602]	_____	[788]	_____
[400]	2 154 476	[604]	_____	[792]	_____
[405]	1 768 079	[608]	176 808	[796]	_____
[410]	300 000	[616]	_____	[797]	_____
[425]	300 000	[620]	_____	[800]	_____
[430]	48 000	[628]	_____	[808]	_____
	XXXXXXXXXXXXX	[637]	_____	[812]	_____
		[638]	102 766	[840]	391 098
[415]	_____	[639]	_____	[890]	392 135
	XXXXXXXXXXXXX	[640]	_____		XXXXXXXXXXXXX
		[644]	_____		
		[648]	_____		

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2006-12-31**

Certification

I, ROSS PEEVER am an authorized signing officer of the corporation. I certify that the following amounts are, to the best of my knowledge, correct and complete, and fully disclose the corporation's income tax payable. These amounts also reflect the information given on the corporation's income tax return for the taxation year noted above.

Net income (or loss) for income tax purposes from Schedule 001, or GIF1 [line 200300]	2 157 587
Part I tax payable [line 200700]	364 098
Part I.3 tax payable [line 200704]	0
Part II surtax payable [line 200708]	0
Part IV tax payable [line 200712]	1 037
Part IV.1 tax payable [line 200716]	0
Part VI tax payable [line 200720]	0
Part VI.1 tax payable [line 200724]	0
Part XIV tax payable [line 200728]	0
Net provincial and territorial tax payable [line 200760]	0
Provincial tax on large corporations [line 200765]	0

I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

2007-06-18

PRESIDENT

Date

Signature of an authorized signing officer of the corporation

Position, office or rank

T2-RETURN AND SCHEDULE INFORMATION

001

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[600] Opening adj for Expenditures included in Regulatory Asset

[601] _____

[602] _____

[603] _____

[604] _____

[700] Closing adj for Expenditures included in Regulatory Asset

[701] Ontario capital tax

[702] _____

[703] _____

[704] _____

XXXXXXXXXXXX

[101] 608 675 [118] _____ [203] _____

[102] _____ [119] _____ [204] _____

[103] _____ [120] _____ [205] _____

[104] 1 542 164 [121] 6 339 [206] _____

[105] _____ [122] _____ [207] _____

[106] _____ [123] _____ [208] _____

[107] _____ [124] _____ [209] _____

[108] _____ [125] 994 804 [210] _____

[109] 2 556 [126] 3 415 972 [211] _____

[110] _____ [127] _____ [212] _____

[111] _____ [128] _____ [213] _____

[112] 625 [199] 618 265 [214] _____

[113] _____ [500] 7 189 400 [215] _____

[114] _____ **XXXXXXXXXXXX** [216] _____

[115] _____ [217] _____

[116] _____ [201] _____ [218] _____

[117] _____ [202] _____ [219] _____

T2-RETURN AND SCHEDULE INFORMATION

001

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[220]	_____	[300]	_____	[401]	10 991
[221]	_____	[301]	_____	[402]	_____
[222]	_____	[302]	_____	[403]	1 311 912
[223]	_____	[303]	_____	[404]	_____
[224]	_____	[304]	_____	[405]	142 124
[225]	_____	[305]	_____	[406]	_____
[226]	_____	[306]	_____	[407]	_____
[227]	_____	[307]	_____	[408]	_____
[228]	_____	[308]	_____	[409]	_____
[229]	_____	[309]	_____	[410]	_____
[230]	_____	[310]	_____	[411]	_____
[231]	_____	[311]	_____	[413]	583 673
[232]	_____	[312]	_____	[414]	2 041 529
[233]	_____	[313]	_____	[416]	_____
[234]	_____	[314]	_____	[417]	_____
[235]	_____	[315]	_____	[499]	2 960 501
[236]	_____	[316]	_____	[510]	7 050 730
[237]	_____	[340]	_____		XXXXXXXXXXXXX
[238]	_____	[341]	_____		
[290]	618 265	[342]	_____		
[291]	_____	[343]	_____		
[292]	_____	[344]	_____		
[293]	_____	[345]	_____		
[294]	_____	[346]	_____		
XXXXXXXXXXXXX		[390]	2 898 668		
		[391]	61 833		
		[392]	_____		
		[393]	_____		
		[394]	_____		
			XXXXXXXXXXXXX		

T2-RETURN AND SCHEDULE INFORMATION

002

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[225]	_____	[410]	_____
[227]	_____	[440]	_____
[230]	_____	[450]	_____
[235]	_____	[455]	_____
[239]	_____	[460]	_____
[339]	_____	[480]	_____
[439]	_____		XXXXXXXXXXXXX
[539]	_____		
	XXXXXXXXXXXXX	[510]	_____
		[540]	_____
[210]	625	[550]	_____
[240]	_____	[555]	_____
[250]	_____	[560]	_____
[255]	_____	[580]	_____
[260]	625		XXXXXXXXXXXXX
[280]	_____		
	XXXXXXXXXXXXX		
[310]	_____		
[340]	_____		
[350]	_____		
[355]	_____		
[360]	_____		
[380]	_____		
	XXXXXXXXXXXXX		

T2-RETURN AND SCHEDULE INFORMATION

003

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[210] 1. _____ *

[450] _____

[460] 1 300 000

[220] 1. _____ *

XXXXXXXXXXXXX

[230] 1. _____ *

[500] 1 300 000

[510] _____

[410] 1. 86360 4328 RC 0001 *

[520] _____

[530] _____

[420] 1. 2006 12 31 *

[540] _____

XXXXXXXXXXXXX

XXXXXXXXXXXXX

[205] 1. 2 *

[240] 1. 3 111 *

[250] 1. _____ *

[260] 1. _____ *

[270] 1. 1 037 *

XXXXXXXXXXXXX

[320] _____

[330] _____

[335] _____

[340] _____

[345] _____

[360] 1 037

XXXXXXXXXXXXX

[430] 1. 1 300 000 *

T2-RETURN AND SCHEDULE INFORMATION

003

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[200] 1. SunLife Financial *

[400] 1. Welland Hydro-Electric Holding Corp *
XXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

004

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[100]	_____	[200]	_____	[402]	_____
[190]	_____	[205]	_____	[405]	_____
[215]	_____	[210]	_____	[410]	_____
[300]	_____	[220]	_____	[430]	_____
[400]	_____	[225]	_____	[440]	_____
[485]	_____	[240]	_____	[450]	_____
[500]	_____	[250]	_____	[480]	_____
	XXXXXXXXXXXXX	[280]	_____	[941]	_____
		[951]	_____	[942]	_____
[102]	385 772	[952]	_____	[943]	_____
[105]	_____	[953]	_____		XXXXXXXXXXXXX
[110]	_____		XXXXXXXXXXXXX		
[130]	385 772			[502]	_____
[135]	_____	[302]	_____	[510]	_____
[140]	_____	[305]	_____	[530]	_____
[150]	_____	[310]	_____	[550]	_____
[180]	_____	[330]	_____	[580]	_____
[901]	_____	[335]	_____	[961]	_____
[902]	_____	[340]	_____	[962]	_____
[903]	_____	[350]	_____	[963]	_____
[911]	_____	[380]	_____		XXXXXXXXXXXXX
[912]	_____	[921]	_____		
[913]	_____	[922]	_____		
	XXXXXXXXXXXXX	[923]	_____		
		[931]	_____		
		[932]	_____		
		[933]	_____		
			XXXXXXXXXXXXX		

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

[602] 1. _____ *

[632] 1. _____ *

XXXXXXXXXXXXX

[600] 1. _____ *

[630] 1. _____ *

[660] 1. _____ *

XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2006-12-31**

[604] 1. _____ *

[606] 1. _____ *

[608] 1. _____ *

[620] 1. _____ *

XXXXXXXXXXXXX

[634] 1. _____ *

[636] 1. _____ *

[638] 1. _____ *

[650] 1. _____ *

XXXXXXXXXXXXX

[662] 1. _____ *

[664] 1. _____ *

[670] 1. _____ *

[675] 1. _____ *

[680] 1. _____ *

XXXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

008

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[101] 2

8. 100

9. 45

[200] 1. 1

10. 8 *

2. 1

XXXXXXXXXXXXX

3. 1

4. 1

[201] 1. 2 554 603

5. 1

2. 5 106 784

6. 8

3. 9 886 935

7. 10

4. 3 151 416

8. 12

5. 1 411 542

9. 45

6. 208 551

10. 47 *

7. 292 775

8. 45 256

[211] 1. 73 212

9. 35 126

2. _____

10. _____ *

3. _____

4. _____

[203] 1. 146 424

5. _____

2. _____

6. 67 685

3. _____

7. 27 828

4. _____

8. _____

5. _____

9. 6 764

6. 135 369

10. 826 998 *

7. 55 655

8. 143 825

[212] 1. 4

9. 13 527

2. 4

10. 1 653 996 *

3. 4

4. 4

[205] 1. _____

5. 4

2. _____

6. 20

3. _____

7. 30

4. _____

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2006-12-31**

5. _____

3. _____

6. _____

4. _____

7. _____

5. _____

8. _____

6. _____

9. _____

7. _____

10. _____ *

8. _____

9. _____

[207] 1. _____ 10. _____ *

2. _____

3. _____

[217] 1. 105 113

4. 24 672

2. 204 271

5. _____

3. 395 477

6. _____

4. 125 070

7. _____

5. 56 462

8. _____

6. 55 247

9. _____

7. 96 181

10. _____ *

8. 189 081

9. 18 850

[213] 1. _____ 10. 66 160 *

2. _____

3. _____

[220] 1. 2 595 914

4. _____

2. 4 902 513

5. _____

3. 9 491 458

6. _____

4. 3 001 674

7. _____

5. 1 355 080

8. _____

6. 288 673

9. _____

7. 252 249

10. _____ *

8. _____

9. 29 803

[215] 1. _____ 10. 1 587 836 *

2. _____

XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

- [**300**]
1. 86360 4328 RC 0001
 2. 86375 9494 RC 0001
 3. NR
 4. 85056 2364 RC 0001 *

- [**400**]
1. 1
 2. 3
 3. 3
 4. 3 *

XXXXXXXXXXXX

- [**100**]
1. WELLAND HYDRO-ELECTRIC HOLDING CORP.
 2. WELLAND HYDRO ENERGY SERVICES CORP.
 3. City of Welland
 4. Welland WiFi Corp. *

- [**200**]
1. _____
 2. _____
 3. _____
 4. _____ *

- [**500**]
1. _____
 2. _____
 3. _____
 4. _____ *

- [**550**]
1. _____
 2. _____
 3. _____
 4. _____ *

T2-RETURN AND SCHEDULE INFORMATION

009

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[600] 1. _____
2. _____
3. _____
4. _____ *

[650] 1. _____
2. _____
3. _____
4. _____ *

[700] 1. _____
2. _____
3. _____
4. _____ *

XXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[200] 2 030 344

[222] _____

[224] _____

[226] _____

[228] _____

[230] 2 030 344

XXXXXXXXXXXXX

[242] _____

[244] _____

[246] _____

[248] _____

XXXXXXXXXXXXX

[249] _____

[250] 142 124

[300] 1 888 220

XXXXXXXXXXXXX

[400] _____

[401] _____

[402] _____

[408] _____

[409] _____

[410] _____

XXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[110] 662 873

[130] 331 931

[150] _____

[170] _____

[190] _____

[210] _____

[230] _____

[270] 994 804

XXXXXXXXXXXXX

[115] _____

[135] _____

[155] _____

[175] _____

[195] _____

[215] _____

[235] _____

[275] _____

XXXXXXXXXXXXX

[120] 96 467

[140] 487 206

[160] _____

[180] _____

[200] _____

[220] _____

[240] _____

[280] 583 673

XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[002] 1. _____ *

[008] _____
XXXXXXXXXXXXXX

[003] 1. _____ *

[009] _____
XXXXXXXXXXXXXX

[004] 1. _____ *

[010] _____
XXXXXXXXXXXXXX

[001] 1. _____ *

XXXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[025] _____

[050] 2006

[075] 2

- [200]
1. 86375 9692 RC 0001
 2. 86360 4328 RC 0001
 3. 86375 9494 RC 0001
 4. NR
 5. 85056 2364 RC 0001 *

- [300]
1. 1
 2. 1
 3. 1
 4. 4
 5. 1 *

XXXXXXXXXXXXX

- [350]
1. 100
 2. _____
 3. _____
 4. _____
 5. _____ *

XXXXXXXXXXXXX

- [400]
1. 300 000
 2. _____
 3. _____
 4. _____
 5. _____ *

XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

- [100]
1. WELLAND HYDRO ELECTRIC SYSTEM CORP.
 2. WELLAND HYDRO-ELECTRIC HOLDING CORP.
 3. WELLAND HYDRO ENERGY SERVICES CORP.
 4. City of Welland
 5. Welland WiFi Corp. *

XXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**BN: **86375 9692 RC 0001**Taxation Year End: **2006-12-31**

[610]	1 768 079	[401]	35 188	[820]	_____
[821]	57 784	[402]	52 776	[861]	_____
[830]	19 802	[403]	_____	[862]	_____
[850]	_____	[404]	_____	[870]	_____
	XXXXXXXXXXXXX	[405]	_____		XXXXXXXXXXXXX
		[406]	_____		
[101]	3 319 505	[407]	_____		
[103]	12 953 180	[490]	87 964		
[104]	1 214 220		XXXXXXXXXXXXX		
[105]	_____				
[106]	630 158	[500]	32 681 891		
[107]	_____		XXXXXXXXXXXXX		
[108]	14 652 792				
[109]	_____	[701]	_____		
[110]	_____	[711]	_____		
[111]	_____	[712]	_____		
[112]	_____	[713]	_____		
[121]	_____	[790]	_____		
[122]	_____		XXXXXXXXXXXXX		
[123]	_____				
[124]	_____	[690]	32 681 891		
[190]	32 769 855	[801]	35 000 000		
	XXXXXXXXXXXXX	[811]	_____		
			XXXXXXXXXXXXX		

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

[010] _____

[020] 2

[030] 2006

[300] 1. 86375 9692 RC 0001

2. 86360 4328 RC 0001

3. 86375 9494 RC 0001

4. NR

5. 85056 2364 RC 0001 *

[500] 1. _____

2. _____

3. _____

4. _____

5. _____ *

XXXXXXXXXXXX

[400] 1. 35 000 000

2. 5 000 000

3. 10 000 000

4. _____

5. _____ *

XXXXXXXXXXXX

[200] 1. WELLAND HYDRO ELECTRIC SYSTEM CORP.

2. WELLAND HYDRO-ELECTRIC HOLDING CORP.

3. WELLAND HYDRO ENERGY SERVICES CORP.

4. City of Welland

T2-RETURN AND SCHEDULE INFORMATION

036

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

5. Welland WiFi Corp. *

XXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

[100] 1. Welland Hydro-Electric Holding Corp. *

[200] 1. 86360 4328 RC 0001 *

[300] 1. _____ *

[350] 1. _____ *

[400] 1. 100 *

[500] 1. _____ *

XXXXXXXXXXXX

T2-RETURN AND SCHEDULE INFORMATION

053

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[500]	_____	[050]	_____
[520]	_____	[100]	_____
[540]	_____	[190]	998 294
[941]	_____	[200]	3 111
[942]	_____	[210]	_____
[943]	_____	[300]	_____
[944]	_____	[310]	_____
[945]	_____	[490]	1 001 405
[951]	_____		XXXXXXXXXXXXX
[952]	_____		
[953]	_____	[560]	_____
[954]	_____	[590]	1 001 405
[955]	_____		XXXXXXXXXXXXX
	XXXXXXXXXXXXX		

[110]	1 768 079
[120]	_____
[130]	300 000
[140]	_____
[150]	1 468 079
	XXXXXXXXXXXXX

[220]	_____
[230]	_____
[240]	_____
[290]	_____
	XXXXXXXXXXXXX

Name: **WELLAND HYDRO ELECTRIC SYSTEM CORP.**

BN: **86375 9692 RC 0001**

Taxation Year End: **2006-12-31**

[100] 1 300 000

[200] _____

[290] _____

XXXXXXXXXXXXX

[150] _____

[160] 1 001 405

[190] _____

XXXXXXXXXXXXX

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[3640]	35 769 397	[3600]	1 214 220
	XXXXXXXXXXXX	[3620]	14 797 558
			XXXXXXXXXXXX
[1000]	8 006 110		
[1060]	7 541 987	[3660]	495 303
[1120]	470 431	[3680]	2 018 917
[1180]	35 188	[3700]	# 1 300 000
[1484]	10 488	[3849]	1 214 220
[1599]	16 064 204		XXXXXXXXXXXX
[1900]	19 403 986		
[2008]	19 403 986		
[2240]	123 716		
[2420]	177 491		
[2589]	301 207		
[2599]	35 769 397		
	XXXXXXXXXXXX		
[2600]	_____		
[2620]	4 328 347		
[2920]	771 534		
[2960]	496 814		
[3139]	5 596 695		
[3140]	13 499 953		
[3320]	458 390		
[3321]	1 416 801		
[3450]	15 375 144		
[3499]	20 971 839		
	XXXXXXXXXXXX		
[3500]	12 953 180		
[3540]	630 158		

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[0001] _____

[0002] _____

XXXXXXXXXXXXX

[0003] _____

XXXXXXXXXXXXX

[8519] 6 345 195

[8710] 586 726

[9369] 2 627 592

[9284] 3 585 861

[9899] _____

[9367] 5 714 751

[9970] 2 627 592

[9368] 41 751 261

[9975] _____

XXXXXXXXXXXXX

[9976] _____

[9980] _____

[9370] _____

[9985] _____

[9659] 0

[9990] 608 675

XXXXXXXXXXXXX

[9995] _____

[9999] 2 018 917

[9660] _____

XXXXXXXXXXXXX

[9898] 0

XXXXXXXXXXXXX

[8000] 42 381 705

[8089] 42 381 705

[8230] 835 858

[8236] 1 161 290

[8299] 44 378 853

XXXXXXXXXXXXX

[8300] _____

[8320] 36 036 510

[8518] 36 036 510

[8670] 1 542 164

Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.

BN: 86375 9692 RC 0001

Taxation Year End: 2006-12-31

[095] 1

[097] 2

[198] 1

[099] 2

[101] 1

[102] 2

[103] 2

[104] 2

[105] 2

[106] 1

[107] 1

[108] 2

XXXXXXXXXXXX

Ontario Tax Instalments

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Ontario tax instalments

For the taxation year ended: 2007-12-31

The following is a list of Ontario instalments payable for the current taxation year. The last column indicates the instalments payable to the Ontario Ministry of Revenue. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Minister of Finance. Payment may be made either to a chartered bank in Ontario or filed with an instalment form and addressed to:

Ministry of Revenue (Ontario)
Corporation Tax
33 King Street West
P.O. Box 620
Oshawa Ontario
L1H 8E9

Quarterly instalment

Date	Instalments required	Instalments paid	Cumulative difference	Instalments payable
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total	_____	_____	_____	_____

Date	Instalments required	Instalments paid	Cumulative difference	Instalments payable
2007-01-31	57,356	_____	_____	57,356
2007-02-28	57,356	_____	_____	57,356
2007-03-31	57,356	_____	_____	57,356
2007-04-30	57,356	_____	_____	57,356
2007-05-31	57,356	_____	_____	57,356
2007-06-30	57,356	_____	_____	57,356
2007-07-31	57,356	_____	_____	57,356
2007-08-31	57,356	_____	_____	57,356
2007-09-30	57,356	_____	_____	57,356
2007-10-31	57,356	_____	_____	57,356
2007-11-30	57,356	_____	_____	57,356
2007-12-31	57,349	_____	_____	57,349
2008-01-31	_____	_____	_____	57,356
2008-02-29	_____	_____	_____	57,356
Total	688,265	_____	_____	802,977



Ontario

Ministry of Finance
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Electronic Filing Certificate
for Corporations Tax Return CT23

Document Control Number (DCN) _____

<input type="checkbox"/> First Year of Filing <input type="checkbox"/> Amended Return <input type="checkbox"/> Taxation Year End has changed (approval by Revenue Canada required) <input type="checkbox"/> Exempt From Filing	<input type="checkbox"/> Final Taxation Year up to Dissolution <input type="checkbox"/> Final Taxation Year before Amalgamation <input type="checkbox"/> Floating Fiscal Year End <input checked="" type="checkbox"/> Subject to CMT	<input type="checkbox"/> Change of Control fed. s.249(4) Date Control was acquired: _____	Corporation's Ontario Tax Account Number 1800215 Date of Incorporation 2000-07-01 Return for Taxation Year Start 2006-01-01 End 2006-12-31 Revenue Canada Taxation Account Number 86375 9692 RC0001 Jurisdiction Incorporated Ontario
Change of Information? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			
Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.			
Mailing Address 950 EAST MAIN STREET P.O. BOX 280 WELLAND ON CA L3B 5P6			

Transmitter Data

Transmitter Number A0001006
Transmitter Name:
Deloitte & Touche LLP
Name of Person to Contact John Frauts
Telephone Number (519) 650-7600
Facsimile Number (519) 650-7601
Transmitter Address:
4210 King St. East

Kitchener
ON N2P2G2

Disk Reference Number 596920
Aggregate of Total Revenue 250 45,882,818
Aggregate of Total Assets 249 50,104,895
Taxable Income (Non-capital Loss) 10 1,768,079
Total Tax Payable 950 297,167
Payments 960
Enclosed 990 688,265
Apply to: Year _____
Apply Amount 980
Refund 975 Yes ☐ No ☒
If Yes, Due to:
Loss Carryback Yes ☐ No ☒
Overpayment Yes ☐ No ☒
Refundable Tax Credit Yes ☐ No ☒

Certification

I am an authorized signing officer of the Corporation. I certify that this Return, including all schedules and statements filed with or as part of this Return, has been examined by me and is a true, correct and complete Return, and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the Corporations Tax Act. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name
ROSS PEEVER

Title
PRESIDENT

Full Residence address

Signature	Date 2007-06-18	Phone Number (905) 732-1381
-----------	--------------------	--------------------------------

Ministry Use Only	Return I.D. #
-------------------	---------------

Payment Advice

Enter the amount of payment and indicate taxation year.

Corporation's Ontario Tax Account Number 1800215	Date of Incorporation year month day 2000-07-01	Taxation Year End	Payment Amount
Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.		2005-12-31	\$
		2006-12-31	\$ 688,265
		Total Payment	\$ 688,265

Submit your cheque (drawn on a Canadian financial institution) or money order, in Canadian funds, payable to the Minister of Finance.

Send to: Ontario Ministry of Finance
Corporations Tax
33 King Street West
PO Box 642
Oshawa ON L1H 8T1

Incomplete information will result in a delay processing an assessment.

Canada Revenue
AgencyAgence du revenu
du Canada

T2 CORPORATION INCOME TAX RETURN

200

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing. For more information on how to complete the return, see the *T2 Corporation – Income Tax Guide* (T4012).

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's tax year. For more information on when and how to file T2 returns, refer to the Guide under the heading "Before you start."

055 Do not use this area

Identification

Business Number (BN) **001** 86375 9692 RC0001**Corporation's name****002** WELLAND HYDRO ELECTRIC SYSTEM CORP.Has the corporation changed its name since the last time you filed your T2 return? **003** 1 Yes ☐ 2 No ☒If Yes, do you have a copy of the articles of amendment? (*Do Not Submit*) **004** 1 Yes ☐ 2 No ☐**Address of head office**Has this address changed since the last time you filed your T2 return? **010** 1 Yes ☐ 2 No ☒

(If Yes, complete lines 011 to 018)

011 950 EAST MAIN STREET**012** P.O. BOX 280

City Province, territory, or state

015 WELLAND

Country (other than Canada) Postal code/Zip code

017 **018** L3B 5P6**Mailing address** (if different from head office address)Has this address changed since the last time you filed your T2 return? **020** 1 Yes ☐ 2 No ☒

(If Yes, complete lines 021 to 028)

021 c/o**022****023**

City Province, territory, or state

025 WELLAND

Country (other than Canada) Postal code/Zip code

027 **028****Location of books and records**Has the location of books and records changed since the last time you filed your T2 return? **030** 1 Yes ☐ 2 No ☒

(If Yes, complete lines 031 to 038)

031 950 EAST MAIN STREET**032** P.O. BOX 280

City Province, territory, or state

035 WELLAND

Country (other than Canada) Postal code/Zip code

037 **038** L3B 5P6**040** Type of corporation at the end of the tax year

- | | |
|--|---|
| 1 <input checked="" type="checkbox"/> Canadian-controlled private corporation (CCPC) | 4 <input type="checkbox"/> Corporation controlled by a public corporation |
| 2 <input type="checkbox"/> Other private corporation | 5 <input type="checkbox"/> Other corporation (specify, below) |
| 3 <input type="checkbox"/> Public corporation | |

If the type of corporation changed during the tax year, provide the effective date of the change **043** YYYY MM DD**To which tax year does this return apply?**

Tax year start	Tax year-end
060 2006-01-01	061 2006-12-31
YYYY MM DD	YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? **063** 1 Yes ☐ 2 No ☒If Yes, provide the date control was acquired **065** YYYY MM DDIs the corporation a professional corporation that is a member of a partnership? **067** 1 Yes ☐ 2 No ☒**Is this the first year of filing after:**

Incorporation?	070 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Amalgamation?	071 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>

If Yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? **072** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? **076** 1 Yes ☐ 2 No ☒Is this the final return up to dissolution? **078** 1 Yes ☐ 2 No ☒**Is the corporation a resident of Canada?****080** 1 Yes ☒ 2 No ☐ If No, give the country of residence on line 081 and complete and attach Schedule 97.**081**Is the non-resident corporation claiming an exemption under an income tax treaty? **082** 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- | | |
|------------|---|
| 085 | 1 <input type="checkbox"/> Exempt under paragraph 149(1)(e) or (l) |
| | 2 <input type="checkbox"/> Exempt under paragraph 149(1)(j) |
| | 3 <input type="checkbox"/> Exempt under paragraph 149(1)(t) |
| | 4 <input type="checkbox"/> Exempt under other paragraphs of section 149 |

Do not use this area

091	092	093	094	095	096
100					

Attachments

Financial statement information: Use GIF1 schedules 100, 125, and 141.

Schedules – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

	Yes	Schedule
Is the corporation related to any other corporations?	150 <input checked="" type="checkbox"/>	9
Is the corporation an associated Canadian-controlled private corporation?	160 <input checked="" type="checkbox"/>	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	161 <input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	151 <input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162 <input type="checkbox"/>	11
If you answered Yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163 <input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164 <input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165 <input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166 <input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167 <input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168 <input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	169 <input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	170 <input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	171 <input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173 <input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172 <input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201 <input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; or gifts of cultural or ecological property?	202 <input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203 <input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	204 <input checked="" type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205 <input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206 <input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207 <input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	208 <input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	210 <input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	212 <input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	213 <input checked="" type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	216 <input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217 <input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	218 <input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	220 <input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221 <input type="checkbox"/>	21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	226 <input type="checkbox"/>	26*
Does the corporation have any Canadian manufacturing and processing profits?	227 <input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	231 <input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232 <input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	233 <input checked="" type="checkbox"/>	33/34/35
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	236 <input checked="" type="checkbox"/>	36
Is the corporation claiming a surtax credit?	237 <input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238 <input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	242 <input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243 <input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244 <input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249 <input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250 <input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	253 <input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	254 <input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax?	255 <input type="checkbox"/>	92 *

* We do not print this schedule.

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	258	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	259	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	<input type="checkbox"/>	T1174

Additional information

Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter Yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity? (Only complete if Yes was entered at line 281.)	282		
If the major business activity involves the resale of goods, show whether it is wholesale or retail	283	1 Wholesale <input type="checkbox"/>	2 Retail <input type="checkbox"/>
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	POWER DISTRIBUTION	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.	300	2,157,587	A
Deduct: Charitable donations from Schedule 2	311	625	
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320	3,111	
Part VI.1 tax deduction from Schedule 43 *	325		
Non-capital losses of preceding tax years from Schedule 4	331	385,772	
Net capital losses of preceding tax years from Schedule 4	332		
Restricted farm losses of preceding tax years from Schedule 4	333		
Farm losses of preceding tax years from Schedule 4	334		
Limited partnership losses of preceding tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
Subtotal		389,508	B
Subtotal (amount A minus amount B) (if negative, enter "0")		1,768,079	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	1,768,079	
Income exempt under paragraph 149(1)(t)	370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		1,768,079	Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	2,154,476	A
Taxable income from line 360, minus 10/3 of the amount on line 632*, minus 3 times the amount on line 636**, and minus any amount that, because of federal law, is exempt from Part I tax	405	1,768,079	B

Calculation of the business limit:

For all CCPCs, calculate the amount at line 4 below.

250,000	x	Number of days in the tax year in 2004	=	1
		Number of days in the tax year	365	
300,000	x	Number of days in the tax year in 2005 and in 2006	365	2
		Number of days in the tax year	365	
400,000	x	Number of days in the tax year after 2006	=	3
		Number of days in the tax year	365	
Add amounts at lines 1, 2, and 3				300,000 4

Business limit (see notes 1 and 2 below)	410	300,000	C
--	-----	---------	---

- Notes:**
- For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
 - For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C	300,000	x	415 ***	D	=	E
				11,250		
Reduced business limit (amount C minus amount E) (if negative, enter "0")	425	300,000	F			

Small business deduction

Whichever amount is the least: A, B, C or F										300,000	G1
Amount G1	300,000	x	Number of days in the tax year before 2008	365	x	16 %	=	48,000	G2		
			Number of days in the tax year	365							
Amount G1	300,000	x	Number of days in the tax year in 2008		x	16.5 %	=		G3		
			Number of days in the tax year	365							
Amount G1	300,000	x	Number of days in the tax year after 2008		x	17 %	=		G4		
			Number of days in the tax year	365							

Small business deduction – total of amounts G2, G3, and G4 (enter amount G on line 9)	430	48,000	G
--	-----	--------	---

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

*** Large corporations

- If the corporation is not associated with any corporations in both the current and the preceding tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the preceding tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)]										435		H
Amount H		x	Number of days in the tax year in 2004		x	2 %	=		I			
			Number of days in the tax year	365								
Amount H		x	Number of days in the tax year in 2005		x	3 %	=		J			
			Number of days in the tax year	365								
Amount H		x	Number of days in the tax year in 2006	365	x	5 %	=		K			
			Number of days in the tax year	365								
Amount H		x	Number of days in the tax year after 2006		x	7 %	=		L			
			Number of days in the tax year	365								
Resource deduction – total of amounts I, J, K, and L (enter amount M on line 10)										438		M

Accelerated tax reduction

Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction

Reduced business limit (amount from line 425)	300,000	x	$\frac{300,000}{\text{line 4 above}}$	=	300,000	A
Net active business income (amount from line 400) *					2,154,476	B
Taxable income from line 360 minus 3 times the amount at line 636** on, and minus any amount that, because of federal law, is exempt from Part I Tax					1,768,079	C
Deduct:						
Aggregate investment income (amount from line 440)						D
Amount C minus amount D (if negative, enter "0")					1,768,079	E
Amount A, B, or E above, whichever is less					300,000	F
Amount Z from Part 9 of Schedule 27		x	$100 / 7$	=		G
Amount QQ from Part 13 of Schedule 27						H
Taxable resource income (amount from line 435)						I
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)						J
Amount on line 400, 405, 410, or 425 of the small business deduction, whichever is less					300,000	K
Total of amounts G, H, I, J, and K					300,000	L
Amount F minus amount L (if negative, enter "0")						M
Accelerated tax reduction – 7.00 % of amount M (enter amount N on line 637)						N

* If the amount at line 450 of Schedule 7 is positive, members of partnerships need to use Schedule 70 to calculate net active business income.

** Calculate the amount of foreign business income tax credit deductible at line 636 without reference to the corporate tax reductions under section 123.4.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	</
------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	----

General tax reduction for Canadian-controlled private corporations – total of amounts J1, J2, J3, and J4 (enter amount J on line 638) 102,766 J

General tax reduction

Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation. For tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the full tax rate.

Taxable income from line 360						M
Amount Z1 from Part 9 of Schedule 27						N
Amount QQ from Part 13 of Schedule 27						O
Taxable resource income from line 435						P
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)						Q
Total of amounts N, O, P, and Q						R
Amount M minus amount R (if negative, enter "0")						S

General tax reduction (continued)

Amount S	x	Number of days in the tax year before 2008	365	x	7 %	=	T1
		Number of days in the tax year	365				
Amount S	x	Number of days in the tax year in 2008		x	7.5 %	=	T2
		Number of days in the tax year	365				
Amount S	x	Number of days in the tax year in 2009		x	8 %	=	T3
		Number of days in the tax year	365				
Amount S	x	Number of days in the tax year after 2009		x	9 %	=	T4
		Number of days in the tax year	365				
General tax reduction – total of amounts T1, T2, T3, and T4 (enter amount T on line 639)							T

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income **440** x 26 2 / 3 % = A
(amount O from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632

Deduct:

Foreign investment income **445** x 9 1 / 3 % = B
(amount L from Part 2 of Schedule 7) (if negative, enter "0")

Amount A minus amount B (if negative, enter "0") C

Taxable income from line 360 1,768,079

Deduct:

Amount on line 400, 405, 410, or 425, whichever is the least 300,000

Foreign non-business
income tax credit
from line 632

Foreign business
income tax credit
from line 636

x 25 / 9 =

x 3 =

300,000

300,000

1,468,079

x 26 2 / 3 % = 391,488 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780) 364,098

Deduct: Corporate surtax from line 600 19,802

Net amount 344,296 E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least **450** F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding tax year **460** 690

Deduct: Dividend refund for the previous tax year **465** 690

Add the total of:

Refundable portion of Part I tax from line 450 above

Total Part IV tax payable from line 360 of Schedule 3 1,037

Net refundable dividend tax on hand transferred from a predecessor corporation on
amalgamation, or from a wound-up subsidiary corporation **480**

1,037

1,037 H

Refundable dividend tax on hand at the end of the tax year – Amount G plus amount H **485** 1,037

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 of Schedule 3 1,300,000 x 1 / 3 433,333 I

Refundable dividend tax on hand at the end of the tax year from line 485 above 1,037 J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784) 1,037

Part I tax

Base amount of Part I tax – 38.00 % of taxable income (line 360 or amount Z, whichever applies) **550** 671,870 A

Corporate surtax calculation

Base amount from line A above 671,870 1

Deduct:

10 % of taxable income (line 360 or amount Z, whichever applies) 176,808 2

Investment corporation deduction from line 620 below 3

Federal logging tax credit from line 640 below 4

Federal qualifying environmental trust tax credit from line 648 below 5

For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360 a

28.00 % of taxed capital gains b

Part I tax otherwise payable c

(line A plus lines C and D minus line F)

Total of lines 2 to 6 176,808 7

Net amount (line 1 minus line 7) 495,062 8

Corporate surtax

line 8 495,062 x 4 % x Number of days in the tax year before 2008 365 = **600** 19,802 B
Number of days in the tax year 365

Recapture of investment tax credit from line OO in Part 17 of Schedule 31 **602** C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 i

Taxable income from line 360 1,768,079

Deduct:

Amount on line 400, 405, 410, or 425, whichever is the least 300,000

Net amount 1,468,079 ▶ 1,468,079 ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii **604** D

Subtotal (add lines A, B, C, and D) 691,672 E

Deduct:

Small business deduction from line 430 48,000 9

Federal tax abatement **608** 176,808

Manufacturing and processing profits deduction from amount BB
or amount RR of Schedule 27 **616**

Investment corporation deduction **620**
(taxed capital gains **624**)

Additional deduction – credit unions from Schedule 17 **628**

Federal foreign non-business income tax credit from Schedule 21 **632**

Federal foreign business income tax credit from Schedule 21 **636**

Accelerated tax reduction from amount N **637**

Resource deduction from line 438 10

General tax reduction for CCPCs from amount J **638** 102,766

General tax reduction from amount T **639**

Federal logging tax credit from Schedule 21 **640**

Federal political contribution tax credit **644**

Federal political contributions **646**

Federal qualifying environmental trust tax credit **648**

Investment tax credit from Schedule 31 **652**

Subtotal 327,574 ▶ 327,574 F

Part I tax payable – Line E minus line F (enter amount G on line 700) 364,098 G

Summary of tax and credits

Federal tax

Part I tax payable	700	364,098
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	1,037
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		365,135

Add provincial or territorial tax:

Provincial or territorial jurisdiction	750	Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)		
Net provincial or territorial tax payable (except Québec, Ontario, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	
Total tax payable	770	365,135 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	1,037
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Allowable refund for non-resident-owned investment corporations from Schedule 26	804	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	391,098
Total credits	890	392,135 B

Refund code **894** Overpayment 27,000 Balance (line A minus line B) -27,000

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information

910 Branch number

914 Institution number **918** Account number

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.
Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid

Enclosed payment **898**

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

896 1 Yes ☒ 2 No ☐

Certification

I, **950** PEEVER **951** ROSS **954** PRESIDENT

Last name First name Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2007-06-18 **956** (905) 732-1381

Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If No, complete the information below

957 1 Yes ☒ 2 No ☐
958 Name Telephone number

Language of correspondence – Langue de correspondance

990 Indicate your language of correspondence by entering 1 for English or 2 for French.
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

1 English / Anglais ☒ 2 Français / French ☐

Schedule of Instalment Remittances

Name of corporation contact: _____
Telephone number: _____

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit
	Applied to Ontario	391,098
Total amount of instalments claimed (carry the result to line 840 of the T2 Return)		<u>391,098</u> A
Total instalments credited to the taxation year per T9		<u>391,098</u> B

Transfer

Account number	Taxation year end	Amount	Effective interest date	Description
From:				
_____	_____	_____	_____	_____
To:				
_____	_____			
From:				
_____	_____	_____	_____	_____
To:				
_____	_____			
From:				
_____	_____	_____	_____	_____
To:				
_____	_____			
From:				
_____	_____	_____	_____	_____
To:				
_____	_____			



GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 100

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

Balance sheet information

Account	Description	GIFI	Amount	Prior year
Assets				
	Total current assets	1599 +	16,064,204	
	Total tangible capital assets	2008 +	19,403,986	
	Total accumulated amortization of tangible capital assets	2009 –		
	Total intangible capital assets	2178 +		
	Total accumulated amortization of intangible capital assets	2179 –		
	Total long-term assets	2589 +	301,207	
	* Assets held in trust	2590 +		
	Total assets (mandatory field)	2599 =	35,769,397	

Liabilities				
	Total current liabilities	3139 +	5,596,695	
	Total long-term liabilities	3450 +	15,375,144	
	* Subordinated debt	3460 +		
	* Amounts held in trust	3470 +		
	Total liabilities (mandatory field)	3499 =	20,971,839	

Shareholder equity				
	Total shareholder equity (mandatory field)	3620 +	14,797,558	

	Total liabilities and shareholder equity	3640 =	35,769,397	
--	---	--------	------------	--

Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849 =	1,214,220	

* Generic item

Current Assets

Form identifier 1599

Account	Description	GIFI	Amount	Prior year
Cash and deposits				
	* Cash and deposits	1000	8,006,110	
	Cash	1001		
	Deposits in Canadian banks and institutions – Canadian currency	1002		
	Deposits in Canadian banks and institutions – foreign currency	1003		
	Deposits in foreign banks – Canadian currency	1004		
	Deposits in foreign banks – foreign currency	1005		
	Credit union central deposits	1006		
	Other cash like instruments	1007		
	Cash and deposits		8,006,110	
Accounts receivable				
	* Accounts receivable	1060	7,541,987	
	Trade accounts receivable	1062		
	Trade accounts receivable from related parties	1064		
	Taxes receivable	1066		
	Interest receivable	1067		
	Holdbacks receivable	1068		
	Leases receivable	1069		
	Accounts receivable from employees	1071		
	Amounts receivable from members of NPOs	1073		
	Accounts receivable		7,541,987	
Allowance for doubtful accounts				
	* Allowance for doubtful accounts	1061		
	Allowance for doubtful trade accounts receivable	1063		
	Allowance for doubtful trade accounts receivable from related parties	1065		
	Allowance for doubtful amounts contained in leases receivable	1070		
	Allowance for doubtful accounts receivable from employees	1072		
	Allowance for doubtful accounts			
Inventories				
	* Inventories	1120	470,431	
	Inventory of goods for sale	1121		
	Inventory parts and supplies	1122		
	Inventory properties	1123		
	Inventory of aggregates	1124		
	Work in progress	1125		
	Raw materials	1126		
	Inventory of securities	1127		
	Inventories		470,431	
Short-term investments				
	* Short-term investments	1180	35,188	
	Canadian term deposits	1181		
	Canadian shares	1182		
	Canadian bonds	1183		
	Canadian treasury bills	1184		
	Securities purchased under resale agreements	1185		
	Other short-term Canadian investments	1186		
	Short-term foreign investments	1187		
	Short-term investments		35,188	

Loans and notes receivable

* Loans and notes receivable	1240		
Demand loans receivable	1241		
Other loans receivable	1242		
Notes receivable	1243		
Mortgages receivable	1244		
Loans and notes receivable		+	

Due from shareholder(s)/director(s)

* Due from shareholder(s)/director(s)	1300		
Due from individual shareholder(s)	1301		
Due from corporate shareholder(s)	1302		
Due from director(s)	1303		
Due from shareholder(s)/director(s)		+	

* Investment in joint venture(s)/partnership(s)	1360	+	
---	------	---	--

* Due from joint venture(s)/partnership(s)	1380	+	
--	------	---	--

Due from/investment in related parties

* Due from/investment in related parties	1400		
Demand notes from related parties	1401		
Interest receivable from related parties	1402		
Loans/advances due from related parties	1403		
Due from/investment in related parties		+	

* Customers' liability under acceptances	1460	+	
--	------	---	--

Other current assets

* Other current assets	1480		
Future (deferred) income taxes	1481		
Accrued investment income	1482		
Taxes recoverable/refundable	1483		
Prepaid expenses	1484	10,488	
Drilling advances	1485		
Security/tender deposits	1486		
Other current assets		+	10,488

Total current assets	1599	=	<u>16,064,204</u>
-----------------------------	-------------	---	-------------------

* Generic item

Tangible Capital Assets and Accumulated Amortization

Form identifier 2008/2009

Account	Description	GIFI	Tangible capital assets	Accumulated amortization	Prior year
Land					
	* Land	1600	+		
	Land improvements	1601	+		
	Accumulated amortization of land improvements	1602		-	
	Total				
Depletable assets					
	* Depletable assets	1620	+		
	* Accumulated amortization of depletable assets	1621		-	
	Petroleum and natural gas properties	1622	+		
	Accumulated amortization of petroleum and natural gas properties	1623		-	
	Mining properties	1624	+		
	Accumulated amortization of mining properties	1625		-	
	Deferred exploration and development charges	1626	+		
	Accumulated amortization of deferred exploration and development charges	1627		-	
	Quarries	1628	+		
	Accumulated amortization of quarries	1629		-	
	Gravel pits	1630	+		
	Accumulated amortization of gravel pits	1631		-	
	Timber limits	1632	+		
	Accumulated amortization of timber limits	1633		-	
	Total				
Buildings					
	* Buildings	1680	+		
	* Accumulated amortization of buildings	1681		-	
	Manufacturing and processing plant	1682	+		
	Accumulated amortization of manufacturing and processing plant	1683		-	
	Buildings under construction	1684	+		
	Total				
Machinery, equipment, furniture and fixtures					
	* Machinery, equipment, furniture, and fixtures	1740	+		
	* Accumulated amortization of machinery, equipment, furniture, and fixtures	1741		-	
	Motor vehicles	1742	+		
	Accumulated amortization of motor vehicles	1743		-	
	Tools and dies	1744	+		
	Accumulated amortization of tools and dies	1745		-	
	Construction and excavating equipment	1746	+		
	Accumulated amortization of construction and excavating equipment	1747		-	
	Forestry and logging equipment	1748	+		
	Accumulated amortization of forestry and logging equipment	1749		-	
	Fishing gear and nets	1750	+		
	Accumulated amortization of fishing gear and nets	1751		-	
	Mining equipment	1752	+		
	Accumulated amortization of mining equipment	1753		-	
	Oil and gas systems	1754	+		

Machinery, equipment, furniture and fixtures (continued)

Accumulated amortization of oil and gas systems	1755	-	
Production equipment for resource industries	1756	+	
Accumulated amortization of production equipment for resource industries	1757	-	
Production equipment for other than resource industries	1758	+	
Accumulated amortization of production equipment for other than resource industries	1759	-	
Exploration equipment	1760	+	
Accumulated amortization of exploration equipment	1761	-	
Shipping equipment	1762	+	
Accumulated amortization of shipping equipment	1763	-	
Ships and boats	1764	+	
Accumulated amortization of ships and boats	1765	-	
Aircraft	1766	+	
Accumulated amortization of aircraft	1767	-	
Signs	1768	+	
Accumulated amortization of signs	1769	-	
Small tools	1770	+	
Accumulated amortization of small tools	1771	-	
Radio and communication equipment	1772	+	
Accumulated amortization of radio and communication equipment	1773	-	
Computer equipment/software	1774	+	
Accumulated amortization of computer equipment/software	1775	-	
Musical instruments	1776	+	
Accumulated amortization of musical instruments	1777	-	
Satellites	1778	+	
Accumulated amortization of satellites	1779	-	
Earth stations	1780	+	
Accumulated amortization of earth stations	1781	-	
Machinery and equipment under construction	1782	+	
Transportation equipment	1783	+	
Accumulated amortization of transportation equipment	1784	-	
Other machinery and equipment	1785	+	
Accumulated amortization of other machinery and equipment	1786	-	
Furniture and fixtures	1787	+	
Accumulated amortization of furniture and fixtures	1788	-	
Total			

Other tangible capital assets

* Other tangible capital assets	1900	+	19,403,986
*Accumulated amortization of other tangible capital assets	1901	-	
Logging roads	1902	+	
Accumulated amortization of logging roads	1903	-	
Asphalt and parking areas	1904	+	
Accumulated amortization of asphalt and parking areas	1905	-	
Wharves	1906	+	
Accumulated amortization of wharves	1907	-	

Other tangible capital assets (continued)

Fences	1908	+			
Accumulated amortization of fences	1909		-		
Capital leases – buildings	1910	+			
Accumulated amortization of capital leases – buildings	1911		-		
Capital leases – equipment	1912	+			
Accumulated amortization of capital leases – equipment	1913		-		
Capital leases – vehicles	1914	+			
Accumulated amortization of capital leases – vehicles	1915		-		
Capital leases – others	1916	+			
Accumulated amortization of capital leases – others	1917		-		
Leasehold improvements	1918	+			
Accumulated amortization of leasehold improvements	1919		-		
Other capital assets under construction	1920	+			
Campsites	1921	+			
Accumulated amortization of campsites	1922		-		
Total				19,403,986	

Total tangible capital assets	2008	=	19,403,986	
--------------------------------------	-------------	---	------------	--

Total accumulated amortization of tangible capital assets	2009	=		
--	-------------	---	--	--

* Generic item

Long-term Assets

Form identifier 2589

Account	Description	GIFI	Amount	Prior year
Due from shareholder(s)/director(s)				
	* Due from shareholder(s)/director(s)	2180		
	Due from individual shareholder(s)	2181		
	Due from corporate shareholder(s)	2182		
	Due from director(s)	2183		
	Due from shareholder(s)/director(s)		+	
	* Due from members	2190	+	
	* Investment in joint venture(s)/partnership(s)	2200	+	
	* Due from joint venture(s)/partnership(s)	2220	+	
Due from/investment in related parties				
	* Due from/investment in related parties	2240	123,716	
	Due from/investment in Canadian related parties	2241		
	Shares in Canadian related corporations	2242		
	Loans/advances to Canadian related corporations	2243		
	Investment in Canadian related corporations at cost	2244		
	Investment in Canadian related corporations at equity	2245		
	Due from/investment in foreign related parties	2246		
	Shares in foreign related corporations	2247		
	Loans/advances to foreign related corporations	2248		
	Investment in foreign related corporations at cost	2249		
	Investment in foreign related corporations at equity	2250		
	Due from/investment in related parties		+	123,716
	* Investment in co-tenancy	2280	+	
Long-term investments				
	* Long-term investments	2300		
	Foreign shares	2301		
	Other types of foreign investments	2302		
	Canadian shares	2303		
	Government of Canada debt	2304		
	Canadian, provincial and municipal government debt	2305		
	Canadian corporate bonds and debentures	2306		
	Debt securities	2307		
	Equity securities	2308		
	Securities purchased under resale agreements	2309		
	Central credit union shares	2310		
	Other Canadian long-term investments	2311		
	Long-term investments		+	

Long-term loans

* Long-term loans	2360		
Mortgages	2361		
Personal and credit card loans	2362		
Business and government loans	2363		
Line of credit	2364		
Long-term loans		+	

Other long-term assets

* Other long-term assets	2420	177,491	
Future (deferred) income taxes	2421		
Deferred pension charges	2422		
Deferred unrealized exchange losses	2423		
Other deferred items/charges	2424		
Reserve fund	2426		
Cash surrender value of life insurance	2427		
Other long-term assets		+	177,491

Accumulated amortization of deferred charges	2425	-	
--	------	---	--

Total long-term assets	2589	=	<u>301,207</u>
-------------------------------	-------------	---	----------------

* Generic item

Current Liabilities

Form identifier 3139

Account	Description	GIFI	Amount	Prior year
	* Bank overdraft	2600	+	

Amounts payable and accrued liabilities

	* Amounts payable and accrued liabilities	2620	4,328,347	
	Trade payables	2621		
	Trade payables to related parties	2622		
	Holdbacks payable	2623		
	Wages payable	2624		
	Management fees payable	2625		
	Bonuses payable	2626		
	Employee deductions payable	2627		
	Withholding taxes payable	2628		
	Interest payable	2629		
	Amounts payable to members of NPOs	2630		
	Amounts payable and accrued liabilities		+	4,328,347

	* Taxes payable	2680	+	
--	-----------------	------	---	--

Short-term debt

	* Short-term debt	2700		
	Loans from Canadian banks	2701		
	Liability for securities sold short	2702		
	Liability for securities sold under repurchase agreements	2703		
	Gold and silver certificates	2704		
	Cheques and other items in transit	2705		
	Lien notes	2706		
	Credit card loans	2707		
	Short-term debt		+	

	* Deferred income	2770	+	
--	-------------------	------	---	--

Due to shareholder(s)/director(s)

	* Due to shareholder(s)/director(s)	2780		
	Due to individual shareholder(s)	2781		
	Due to corporate shareholder(s)	2782		
	Due to director(s)	2783		
	Due to shareholder(s)/director(s)		+	

	* Due to joint venture(s)/partnership(s)	2840	+	
--	--	------	---	--

Due to related parties

	* Due to related parties	2860		
	Demand notes due to related parties	2861		
	Interest payable to related parties	2862		
	Advances due to related parties	2863		
	Due to related parties		+	

_____ * Current portion of long-term liability	2920	+	_____ 771,534 _____
--	-------	-------------	---	---------------------

_____ * Bankers' acceptances	2940	+	_____ _____
------------------------------	-------	-------------	---	-------------

Other current liabilities				
_____ * Other current liabilities	.....	2960		_____ 496,814 _____
_____ Deposits received	.....	2961		_____ _____
_____ Dividends payable	.....	2962		_____ _____
_____ Future (deferred) income taxes	.....	2963		_____ _____
_____ Reserves for guarantees, warranties, or indemnities	.....	2964		_____ _____
_____ General provisions/reserves	.....	2965		_____ _____
_____ Crew shares	.....	2966		_____ _____
_____ Other current liabilities			+	_____ 496,814 _____

_____ Total current liabilities		3139	=	_____ 5,596,695 _____
--	--	-------------	---	-----------------------

* Generic item

Long-term Liabilities

Form identifier 3450

Account	Description	GIFI	Amount	Prior year
Long-term debt				
	* Long-term debt	3140	13,499,953	
	Mortgages	3141		
	Farm credit corporation loan	3142		
	Chartered bank loan	3143		
	Credit Union/Caisse Populaire loan	3144		
	Provincial government loan	3145		
	Supply company loan	3146		
	Private loan	3147		
	Central, league, and federation loans	3148		
	Line of credit	3149		
	Liability for securities sold short	3150		
	Liability for securities sold under repurchase agreements	3151		
	Lien notes	3152		
	Long-term debt		+	13,499,953
	* Deposit liabilities of financial institutions	3200	+	
	* Bonds and debentures	3210	+	
	* Deferred income	3220	+	
	* Future (deferred) income taxes	3240	+	
Due to shareholder(s)/director(s)				
	* Due to shareholder(s)/director(s)	3260		
	Due to individual shareholder(s)	3261		
	Due to corporate shareholder(s)	3262		
	Due to director(s)	3263		
	Due to shareholder(s)/director(s)		+	
	* Due to members	3270	+	
	* Due to joint venture(s)/partnership(s)	3280	+	
Due to related parties				
	* Due to related parties	3300		
	Amounts owing to related Canadian parties	3301		
	Amounts owing to related foreign parties	3302		
	Due to related parties		+	

Other long-term liabilities

* Other long-term liabilities	3320	458,390	
Long-term obligations/commitments/capital leases	3321	1,416,801	
Reserves for guarantees, warranties, or indemnities	3322		
Provision for site restoration	3323		
Contributions to qualifying environmental trust	3324		
General provisions/reserves	3325		
Preference shares restated	3326		
Member allocations	3327		
Deferred revenue from incomplete contracts	3328		
Other long-term liabilities		+	<u>1,875,191</u>

Total long-term liabilities	3450	=	<u>15,375,144</u>
------------------------------------	-------------	---	-------------------

* Generic item

Shareholder Equity

Form identifier 3620

Account	Description	GIFI	Amount	Prior year
	* Common shares	3500	12,953,180	
	* Preferred shares	3520		
Contributed and other surplus				
	* Contributed and other surplus	3540	630,158	
	Contributed surplus	3541		
	Appraisal surplus	3542		
	General reserve	3543		
	Contributed and other surplus		630,158	
	* Head office account	3570		
	* Retained earnings/deficit	3600	1,214,220	
	Total shareholder equity	3620	14,797,558	

* Generic item

Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Amount	Prior year
	* Retained earnings/deficit – start	3660	+	495,303
	* Net income/loss	3680	+	2,018,917
Dividends declared				
	* Dividends declared	3700		1,300,000
	Cash dividends	3701		
	Patronage dividends	3702		
	Dividends declared		-	1,300,000
	* Prior period adjustments	3720	+	
Other items affecting retained earnings				
	* Other items affecting retained earnings	3740		
	Share redemptions	3741		
	Special reserves	3742		
	Currency adjustments	3743		
	Unusual revenue items	3744		
	Interfund transfer	3745		
	Other items affecting retained earnings		+	
	Retained earnings/deficit – end	3849	=	1,214,220

* Generic item



GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

Income statement information

Description	GIFI
Operating name	0001
Description of the operation . .	0002
Sequence Number	0003 01

Account	Description	GIFI	Amount	Prior year
Income statement information				
	Total sales of goods and services	8089 +	42,381,705	
	Cost of sales	8518 -	36,036,510	
	Gross profit/loss	8519 =	6,345,195	
	Cost of sales	8518 +	36,036,510	
	Total operating expenses	9367 +	5,714,751	
	Total expenses (mandatory field)	9368 =	41,751,261	
	Total revenue (mandatory field)	8299 +	44,378,853	
	Total expenses (mandatory field)	9368 -	41,751,261	
	Net non-farming income	9369 =	2,627,592	

Farming income statement information				
	Total farm revenue (mandatory field)	9659 +		
	Total farm expenses (mandatory field)	9898 -		
	Net farm income	9899 =		

	Net income/loss before taxes and extraordinary items	9970 =	2,627,592	
--	---	---------------	-----------	--

Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975 -		
	Legal settlements	9976 -		
	Unrealized gains/losses	9980 +		
	Unusual items	9985 -		
	Current income taxes	9990 -	608,675	
	Deferred income tax provision	9995 -		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999 =	2,018,917	

Revenue

Form identifier 8299

Account	Description	GIFI	Amount	Prior year
	* Trade sales of goods and services	8000	+	42,381,705

	* Sales of goods and services to related parties	8020	+	
--	--	------	---	--

	* Interdivisional sales	8030	+	
--	-----------------------------------	------	---	--

Sales from resource properties

	* Sales from resource properties	8040		
	Petroleum and natural gas sales	8041		
	Petroleum and natural gas sales to related parties	8042		
	Gas marketing	8043		
	Processing revenue	8044		
	Pipeline revenue	8045		
	Seismic sales	8046		
	Mining revenue	8047		
	Coal revenue	8048		
	Oil sands revenue	8049		
	Royalty income	8050		
	Oil and gas partnership/joint venture income/loss	8051		
	Mining partnership/joint venture income/loss	8052		
	Other production revenue	8053		
	Sales from resource properties		+	

	Total sales of goods and services	8089	=	42,381,705
--	--	------	---	------------

Investment revenue

	* Investment revenue	8090		
	Interest from foreign sources	8091		
	Interest from Canadian bonds and debentures	8092		
	Interest from Canadian mortgage loans	8093		
	Interest from other Canadian sources	8094		
	Dividend income	8095		
	Dividends from Canadian sources	8096		
	Dividends from foreign sources	8097		
	Investment revenue		+	

Interest income (financial institutions)

	* Interest income (financial institutions)	8100		
	Loan interest	8101		
	Securities interest	8102		
	Deposits with banks interest	8103		
	Interest income (financial institutions)		+	

Commission revenue

	* Commission revenue	8120		
	Commission income on real estate transactions	8121		
	Commission revenue		+	

Rental revenue

* Rental revenue	8140		
Real estate rental revenue	8141		
Film rental revenue	8142		
Rental revenue		+	

* Vehicle leasing	8150	+	
-------------------	------	---	--

Fishing revenue

* Fishing revenue	8160		
Fish products	8161		
Other marine products	8162		
Fishing grants, credits, and rebates	8163		
Fishing subsidies	8164		
Compensation for loss of fishing income or property	8165		
Sharesman income	8166		
Fishing revenue		+	

Realized gains/losses on disposal of assets

* Realized gains/losses on disposal of assets	8210		
Realized gains/losses on sale of investments	8211		
Realized gains/losses on sale of resource properties	8212		
Realized gains/losses on disposal of assets		+	

NPO amounts received

* Non-Profit organizations amounts received	8220		
Membership fees	8221		
Assessments	8222		
Gifts	8223		
Gross sales and revenues from organizational activities	8224		
NPO amounts received		+	

Other revenue

* Other revenue	8230	835,858	
Foreign exchange gains/losses	8231		
Income/loss of subsidiaries/affiliates	8232		
Income/loss of other divisions	8233		
Income/loss of joint ventures	8234		
Income/loss of partnerships	8235		
Realization of deferred revenues	8236	1,161,290	
Royalty income other than resource	8237		
Alberta royalty tax credits	8238		
Management and administration fees	8239		
Telecommunications revenue	8240		
Consulting fees	8241		
Subsidies and grants	8242		
Sale of by-products	8243		
Deposit services	8244		
Credit services	8245		
Card services	8246		
Patronage dividends	8247		
Insurance recoveries	8248		
Expense recoveries	8249		
Bad debt recoveries	8250		
Other revenue		+	1,997,148

Total revenue	8299	=	44,378,853
----------------------	-------------	---	-------------------

* Generic item

Cost of Sales

Form identifier 8518

Account	Description	GIFI	Amount	Prior year
Opening inventory				
	* Opening inventory	8300		
	Opening inventory – finished goods	8301		
	Opening inventory – raw materials	8302		
	Opening inventory – goods in process	8303		
	Opening inventory		+	
	* Purchases/cost of materials	8320	+	36,036,510
	* Direct wages	8340	+	
	* Benefits on direct wages	8350	+	
	* Trades and sub-contracts	8360	+	
	* Production costs other than resource	8370	+	
Resource production costs				
	* Resource production costs	8400		
	Pipeline operations	8401		
	Drilling	8402		
	Site restoration costs	8403		
	Gross overriding royalty	8404		
	Freehold royalties	8405		
	Other producing properties rental	8406		
	Prospect/geological	8407		
	Well operating, fuel and equipment	8408		
	Well abandonment and dry holes	8409		
	Other lease rentals	8410		
	Exploration expenses	8411		
	Development expenses	8412		
	Resource production costs		+	
Crown charges				
	* Crown charges	8435		
	Crown royalties	8436		
	Crown lease rentals	8437		
	Freehold mineral tax	8438		
	Mining taxes	8439		
	Oil sand leases	8440		
	Saskatchewan resource surcharge	8441		
	Crown charges		+	

Other direct costs

* Other direct costs	8450		
Equipment hire and operation	8451		
Log yard	8452		
Forestry costs	8453		
Logging road costs	8454		
Stumpage costs	8455		
Royalty costs	8456		
Freight in and duty	8457		
Inventory write down	8458		
Direct cost amortization of tangible assets	8459		
Direct cost amortization of natural resource assets	8460		
Overhead expenses allocated to cost of sales	8461		
Other direct costs		+	

Closing inventory

* Closing inventory	8500		
Closing inventory – finished goods	8501		
Closing inventory – raw materials	8502		
Closing inventory – goods in process	8503		
Closing inventory		-	

Cost of sales	8518	=	<u>36,036,510</u>
----------------------	-------------	---	-------------------

* Generic item

Operating Expenses

Form identifier 9367

Account	Description	GIFI	Amount	Prior year
Advertising and promotion				
	* Advertising and promotion	8520		
	Advertising	8521		
	Donations	8522		
	Meals and entertainment	8523		
	Promotion	8524		
	Advertising and promotion		+	
	* Amortization of intangible assets	8570	+	
	* Goodwill impairment loss	8571	+	
	* Bad debt expense	8590	+	
Loan losses				
	* Loan losses	8610		
	Provision for loan losses	8611		
	Loan losses		+	
Employee benefits				
	* Employee benefits	8620		
	Group insurance benefits	8621		
	Employer's portion of employee benefits	8622		
	Contributions to deferred income plans	8623		
	Employee benefits		+	
	* Amortization of natural resource assets	8650	+	
	* Amortization of tangible assets	8670	+	1,542,164
Insurance				
	* Insurance	8690		
	Life insurance on executives	8691		
	Insurance		+	
Interest and bank charges				
	* Interest and bank charges	8710	586,726	
	Interest on short-term debt	8711		
	Interest on bonds and debentures	8712		
	Interest on mortgages	8713		
	Interest on long-term debt	8714		
	Bank charges	8715		
	Credit card charges	8716		
	Collection and credit costs	8717		
	Interest and bank charges		+	586,726

Interest paid (financial institutions)

* Interest paid (financial institutions)	8740		
Interest paid on deposits	8741		
Interest paid on bonds and debentures	8742		
Interest paid (financial institutions)		+	

Business taxes, licences, and memberships

* Business taxes, licences, and memberships	8760		
Memberships	8761		
Business taxes	8762		
Franchise fees	8763		
Government fees	8764		
Business taxes, licences, and memberships		+	

* New Brunswick tax on large corporations 8780 +

* Nova Scotia tax on large corporations 8790 +

Office expenses

* Office expenses	8810		
Office stationery and supplies	8811		
Office utilities	8812		
Data processing	8813		
Office expenses		+	

Professional fees

* Professional fees	8860		
Legal fees	8861		
Accounting fees	8862		
Consulting fees	8863		
Architect fees	8864		
Appraisal fees	8865		
Laboratory fees	8866		
Medical fees	8867		
Veterinary fees	8868		
Brokerage fees	8869		
Transfer fees	8870		
Management and administration fees	8871		
Refining and assay	8872		
Registrar and transfer agent fees	8873		
Restructuring costs	8874		
Security commission fees	8875		
Training expense	8876		
Studio and recording	8877		
Professional fees		+	

Rental

* Rental	8910		
Real estate rental	8911		
Occupancy costs	8912		
Condominium fees	8913		
Equipment rental	8914		
Motor vehicle rentals	8915		
Moorage (boat)	8916		
Storage	8917		
Quota rental	8918		

Rental

+

Repairs and maintenance

* Repairs and maintenance	8960		
Repairs and maintenance – buildings	8961		
Repairs and maintenance – vehicles	8962		
Repairs and maintenance – boats	8963		
Repairs and maintenance – machinery and equipment	8964		

Repairs and maintenance

+

Other repairs and maintenance

* Other repairs and maintenance	9010		
Machine shop expense	9011		
Road costs	9012		
Security	9013		
Garbage removal	9014		

Other repairs and maintenance

+

Salaries and wages

* Salaries and wages	9060		
Commissions	9061		
Crew share	9062		
Bonuses	9063		
Directors fees	9064		
Management salaries	9065		
Employee salaries	9066		

Salaries and wages

+

* Sub-contracts	9110	+	
-----------------	------	---	--

Supplies

* Supplies	9130		
Small tools	9131		
Shop expense	9132		
Uniforms	9133		
Laundry	9134		
Food and catering	9135		
Fishing gear	9136		
Nets and traps	9137		
Salt, bait, and ice	9138		
Camp supplies	9139		
Computer-related expenses	9150		
Upgrade	9151		
Internet	9152		

Supplies

+

_____	* Property taxes	9180	+	_____	_____
-------	------------------	------	---	-------	-------

Travel expenses

_____	* Travel expenses	9200	_____	_____
_____	Meetings and conventions	9201	_____	_____
	Travel expenses		+	=====

Utilities

_____	* Utilities	9220	_____	_____
_____	Electricity	9221	_____	_____
_____	Water	9222	_____	_____
_____	Heat	9223	_____	_____
_____	Fuel costs	9224	_____	_____
_____	Telephone et telecommunications	9225	_____	_____
	Utilities		+	=====

Other expenses

_____	* Other expenses	9270	_____	_____
_____	Cash over/short	9271	_____	_____
_____	Reimbursement of parent company expense	9272	_____	_____
_____	Selling expenses	9273	_____	_____
_____	Shipping and warehouse expense	9274	_____	_____
_____	Delivery, freight and express	9275	_____	_____
_____	Warranty expenses	9276	_____	_____
_____	Royalty expenses – resident	9277	_____	_____
_____	Royalty expenses – non-resident	9278	_____	_____
_____	Dumping charges	9279	_____	_____
_____	Land fill fees	9280	_____	_____
_____	Vehicle expenses	9281	_____	_____
_____	Research and development	9282	_____	_____
_____	Withholding taxes	9283	_____	_____
_____	General and administrative expenses	9284	3,585,861	_____
_____	Interdivisional expenses	9285	_____	_____
_____	Interfund transfer	9286	_____	_____
	Other expenses		+	=====

_____	Total operating expenses	9367	=	5,714,751	=====
-------	---------------------------------	-------------	---	-----------	-------

* Generic item



NOTES CHECKLIST

Corporation's name	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- This schedule should be completed from the perspective of the person who prepared or reported on the **financial statements**. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation – Income Tax Guide*.
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

Part 1 – Accounting practitioner information

Does the accounting practitioner have a professional designation? **095** 1 Yes ☒ 2 No ☐

Is the accounting practitioner connected* with the corporation? **097** 1 Yes ☐ 2 No ☒

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note

If the accounting practitioner does not have a professional designation **or** is connected with the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4.

Part 2 – Type of involvement

Choose the option that represents the highest level of involvement of the accounting practitioner: **198**

Completed an auditor's report	1	<input checked="" type="checkbox"/>
Completed a review engagement report	2	<input type="checkbox"/>
Conducted a compilation engagement	3	<input type="checkbox"/>

Part 3 – Reservations

If you selected option "1" or "2" under **Type of involvement** above, answer the following question:

Has the accounting practitioner expressed a reservation? **099** 1 Yes ☐ 2 No ☒

Part 4 – Other information

Were notes to the financial statements prepared? **101** 1 Yes ☒ 2 No ☐

If Yes, complete lines 102 to 107 below:

Are any values presented at other than cost?	102	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Has there been a change in accounting policies since the last return?	103	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Are subsequent events mentioned in the notes?	104	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Is re-evaluation of asset information mentioned in the notes?	105	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Is contingent liability information mentioned in the notes?	106	1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/>
Is information regarding commitments mentioned in the notes?	107	1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/>

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes ☐ 2 No ☒

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)?	109	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>
--	------------	--

SCHEDULE 1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements 2,018,917 A

Add:

Provision for income taxes – current	101	608,675	
Amortization of tangible assets	104	1,542,164	
Income or loss for tax purposes – joint ventures or partnerships	109	2,556	
Charitable donations from Schedule 2	112	625	
Non-deductible meals and entertainment expenses	121	6,339	
Tax reserves deducted in prior year from Schedule 13	125	994,804	
Reserves from financial statements – balance at the end of the year	126	3,415,972	
Subtotal of additions		6,571,135	▶ 6,571,135

Other additions:

Miscellaneous other additions:

600 Opening adj for Expenditures included in Regulatory Asset	290	618,265	
Subtotal of other additions	199	618,265	▶ 618,265
Total additions	500	7,189,400	▶ 7,189,400

Deduct:

Gain on disposal of assets per financial statements	401	10,991	
Capital cost allowance from Schedule 8	403	1,311,912	
Cumulative eligible capital deduction from Schedule 10	405	142,124	
Tax reserves claimed in current year from Schedule 13	413	583,673	
Reserves from financial statements – balance at the beginning of the year	414	2,041,529	
Subtotal of deductions		4,090,229	▶ 4,090,229

Other deductions:

Miscellaneous other deductions:

700 Closing adj for Expenditures included in Regulatory Asset	390	2,898,668	
701 Ontario capital tax	391	61,833	
Total	394		
Subtotal of other deductions	499	2,960,501	▶ 2,960,501
Total deductions	510	7,050,730	▶ 7,050,730

Net income (loss) for income tax purposes – enter on line 300 of the T2 return 2,157,587

Attached Schedule with Total

Line 290 – Amount for line 600

Title Opening adjustment to financial statement income

Description	Amount	
Demand Side Management	-331,930	00
Market Ready Costs	299,633	00
Retail Service Variances	650,562	00
Total	618,265	00

Attached Schedule with Total

Line 390 – Amount for line 700

Title Closing adjustment to financial statement income

Description	Amount	
RSVA account balance	3,050,535	00
Less: Cumulative capital expenditures included in the Regulatory Asset	-151,867	00
Total	2,898,668	00

**CHARITABLE DONATIONS AND GIFTS**

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- For use by corporations to claim any of the following:
 - charitable donations;
 - gifts to Canada, a province, or a territory;
 - gifts of certified cultural property;
 - gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the windup of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, proposed subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
 - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the change of control.
 - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount (\$100 or more only)
Niagara Child Youth Services	350
Hospital for Sick Kids	100
Welland District Community Living	100
	Subtotal 550
	Add: Total donations of less than \$100 each 75
	Total donations in current taxation year 625

	Federal	Quebec	Alberta
Charitable donations at the end of the preceding taxation year			
Deduct: Charitable donations expired after five taxation years 239			
Charitable donations at the beginning of the taxation year . . . 240			
Add:			
Charitable donations transferred on an amalgamation or the windup of a subsidiary 250			
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1) 210 625			
Additional deduction for donations of medicines for the developing world A1			
Subtotal (line 250 plus line 210 and line A1) 625	625	625	625
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004) 255			
Total charitable donations available 625 A	625	625	625
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return) 260 625	625	625	625
Charitable donations closing balance 280			

Amounts carried forward – Charitable donations

Year of origin:		Federal	Quebec	Alberta
1 st prior year	2005			
2 nd prior year	2004			
3 rd prior year	2003			
4 th prior year	2002			
5 th prior year	2001			
6 th prior year *	2000			
Total (to line A)				

* These donations expired in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * multiplied by 75 %		1,618,190	B
Taxable capital gains arising in respect of gifts of capital property			
– lines 895 and 896 of Schedule 6, multiplied by the inclusion rate			
– other			
	Total 225		C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)		227	D
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of disposition, less outlays and expenses		E	
Capital cost		F	
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less		G	
	Subtotal (add amounts C, D, and G)	H	
	Amount H multiplied by 25 %	I	
	Subtotal (amount B plus amount I)	1,618,190	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		625	K

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the preceding taxation year			
Deduct: Gifts to Canada, a province, or a territory expired after five taxation years	339		
Gifts to Canada, a province, or a territory at the beginning of the taxation year	340		
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current year gifts made to Canada, a province, or a territory *	310		
	Subtotal (line 350 plus line 310)		
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355		
Total gifts to Canada, a province, or a territory available			
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360		
Gifts to Canada, a province, or a territory closing balance	380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If the taxation year straddles February 18, 1997, and gifts were made after this date, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

	Federal	Quebec	Alberta
Gifts of certified cultural property at the end of the preceding taxation year			
Deduct: Gifts of certified cultural property expired after five taxation years	439		
Gifts of certified cultural property at the beginning of the taxation year	440		
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
Subtotal (line 450 plus line 410)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

Amount carried forward – Gifts of certified cultural property

Year of origin:	Federal	Quebec	Alberta
1 st prior year	2005		
2 nd prior year	2004		
3 rd prior year	2003		
4 th prior year	2002		
5 th prior year	2001		
6 th prior year *	2000		
Total			

* These donations expired in the current year.

Part 5 – Gifts of certified ecologically sensitive land

	Federal	Quebec	Alberta
Gifts of certified ecologically sensitive land at the end of the preceding taxation year			
Deduct: Gifts of certified ecologically sensitive land expired after five taxation years	539		
Gifts of certified ecologically sensitive land at the beginning of the taxation year	540		
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550		
Total current-year gifts of certified ecologically sensitive land	510		
Subtotal (line 550 plus line 510)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555		
Total gifts of certified ecologically sensitive land available			
Deduct: Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560		
Gifts of certified ecologically sensitive land closing balance	580		

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:	Federal	Quebec	Alberta
1 st prior year	2005		
2 nd prior year	2004		
3 rd prior year	2003		
4 th prior year	2002		
5 th prior year	2001		
6 th prior year *	2000		
Total			

* These donations expired in the current year.

**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND
PART IV TAX CALCULATION****SCHEDULE 3**

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- This schedule is for the use of any corporation to report:
 - non-taxable dividends under section 83;
 - deductible dividends under subsection 138(6);
 - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
 - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
 - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
 - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.
- "X" under column F1 if the dividends received are eligible to an addition of 45% for the purposes of the dividend tax credit for individuals.
- F2 – Enter the code that applies to the deductible taxable dividend.

Part 1 – Dividends received during the taxation year**Do not include dividends received from foreign non-affiliates.**

Complete if payer corporation is connected

Name of payer corporation (Use only one line per corporation, abbreviating its name if necessary)	A	B	C Business Number	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD
200		205	210	220
1 Sun Life Financial				
2				

Note: If your corporation's taxation year end is different than that of the connected payer corporation, your corporation could have received dividends from more than one taxation year of the payer corporation. If so, use a separate line to provide the information for each taxation year of the payer corporation.

				If payer corporation is not connected, leave these columns blank.		
E Non-taxable dividend under section 83	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)	F1	F2	G Total taxable dividends paid by connected payer corporation	H Dividend refund of the connected payer corporation	I Part IV tax before deductions $F \times 1 / 3 *$
230	240			250	260	270
1	3,111	X				1,037
2						
Total (enter amount of column F on line 320 of the T2 return)						
	3,111					1,037

For dividends received from connected corporations: Part IV tax equals: $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$

* Life insurers are not subject to Part IV tax on subsection 138(6) dividends.
Public corporations (other than subject corporations) do not need to calculate Part IV tax.

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1) 1,037

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal 1,037

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax **330**

Non-capital losses from previous years claimed to reduce Part IV tax **335**

Current-year farm loss claimed to reduce Part IV tax **340**

Farm losses from previous years claimed to reduce Part IV tax **345**

Total losses applied against Part IV tax x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360** 1,037

Part 3 – Taxable dividends paid in the taxation year for purposes of a dividend refund

A	B	C	D
Name of connected recipient corporation	Business Number	Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations
400	410	420	430
1 Welland Hydro-Electric Holding Corp	86360 4328 RC0001	2006-12-31	1,300,000
2			

Note

If your corporation's taxation year end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one taxation year of the recipient corporation. If so, use a separate line to provide the information for each taxation year of the recipient corporation.

Total 1,300,000

Total taxable dividends paid in the taxation year to other than connected corporations **450**

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450) **460** 1,300,000

Part 4 – Total dividends paid in the taxation year

Complete this part if the total taxable dividends paid in the taxation year for purposes of a dividend refund (line 460 above) is different from the total dividends paid in the taxation year.

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above) **460** 1,300,000

Other dividends paid in the taxation year (total of 510 to 540) **500** 1,300,000

Total dividends paid in the taxation year **500** 1,300,000

Deduct:

Dividends paid out of capital dividend account **510**

Capital gains dividends **520**

Dividends paid on shares described in subsection 129(1.2) **530**

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year **540**

Subtotal ▶

Total taxable dividends paid in the taxation year for purposes of a dividend refund 1,300,000



CORPORATION LOSS CONTINUITY AND APPLICATION

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- For use by a corporation to determine the continuity and use of available losses; to determine the current-year non-capital loss, farm loss, restricted farm loss, and limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that may be applied in a year; and to request a loss carryback to previous years.
- The corporation can choose whether or not to deduct an available loss from income in a tax year. It can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- In accordance with subsection 111(4) of the *Income Tax Act*, when control has been acquired no amount of capital loss incurred for a tax year ending (TYE) before that time is deductible in computing taxable income in a TYE after that time AND no amount of capital loss incurred in a TYE after that time is deductible in computing taxable income of a TYE before that time.
- When control has been acquired, subsection 111(5) provides for similar treatment of non-capital and farm losses, except as listed in paragraphs 111(5)(a) & (b).
- For information on these losses, see the *T2 Corporation – Income Tax Guide*.
- File one completed copy of this schedule with the T2 return, or send it by itself to the tax centre where the return is filed.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.

Part 1 – Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes	2,157,587
Deduct: (increase a loss)	
Net capital losses deducted in the year (enter as a positive amount)	
Taxable dividends deductible under sections 112, 113, or subsection 138(6)	3,111
Amount of Part VI.1 tax deductible	
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)	3,111
Deduct: (increase a loss)	
Subtotal (if positive, enter "0")	
Section 110.5 and/or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions	
Add: (decrease a loss)	
Subtotal	
Current-year farm loss	
Current-year non-capital loss (if positive, enter "0")	

Continuity of non-capital losses and request for a carryback

Non-capital loss at the end of preceding tax year	385,772
Deduct: Non-capital loss expired *	100
Non-capital losses at beginning of tax year	102 385,772
Add: Non-capital losses transferred on an amalgamation or the wind-up of a subsidiary corporation	105
Current-year non-capital loss (from calculation above)	110 385,772
Deduct:	
Other adjustments (includes adjustments for an acquisition of control)	150
Section 80 – Adjustments for forgiven amounts	140
Subsection 111(10) – Adjustments for fuel tax rebate	
Deduct:	
Amount applied against taxable income (enter on line 331 of the T2 return)	130 385,772
Amount applied against taxable dividends subject to Part IV tax	135 385,772
Deduct – Request to carry back non-capital loss to:	
Subtotal	
First preceding tax year to reduce taxable income	901
Second preceding tax year to reduce taxable income	902
Third preceding tax year to reduce taxable income	903
First preceding tax year to reduce taxable dividends subject to Part IV tax	911
Second preceding tax year to reduce taxable dividends subject to Part IV tax	912
Third preceding tax year to reduce taxable dividends subject to Part IV tax	913
Non-capital losses – Closing balance	180

* A non-capital loss expires as follows:

- After 7 tax years if it arose in a tax year ending before March 23, 2004;
- After 10 tax years if it arose in a tax year ending after March 22, 2004 and ending before 2006; or
- After 20 tax years if it arose in a tax year ending in 2006 and later.

An allowable business investment loss becomes a net capital loss as follows:

- After 7 tax years if it arose in a tax year ending before March 23, 2004;
- After 10 tax years if it arose in a tax year ending after March 22, 2004.

Election under paragraph 88(1.1)(f)

Paragraph 88(1.1)(f) election indicator **190** Yes ☐
Loss from a wholly owned subsidiary deemed to be a loss of the parent from its immediately preceding tax year.

Part 2 - Capital losses

Continuity of capital losses and request for a carryback

Capital losses at end of preceding tax year	200	_____
Capital losses transferred on an amalgamation or the wind-up of a subsidiary corporation	205	_____
Deduct:		
Other adjustments (includes adjustments for an acquisition of control)	250	_____
Section 80 – Adjustments for forgiven amounts	240	_____
Add:		Subtotal
Current-year capital loss (from Schedule 6 calculation)	210	_____
Unused non-capital losses from the 11th preceding tax year*		A
Allowable business investment losses (ABIL) incurred in the 11th preceding tax year*		B
Enter amount from line A or B, whichever is less	215	_____
Allowable business investment loss expired as non-capital loss: line 215 divided by inclusion rate** 75.0000 %		220
		Subtotal
Note: If there has been an amalgamation or a wind-up of a subsidiary, do a separate calculation of the allowable business investment loss expired as non-capital loss for each predecessor or subsidiary. Add all these amounts and enter the total at line 220 above.		
Deduct: Amount applied against current-year capital gain (see Note 1)	225	_____
		Subtotal
Deduct – Request to carry back capital loss to: (see Note 2)		
	Capital gain (100%)	Amount carried back (100%)
First preceding tax year	951	_____
Second preceding tax year	952	_____
Third preceding tax year	953	_____
Capital losses – Closing balance	280	_____

Note 1

On line 332 of the T2 return, enter the amount from line 225 multiplied by 50%.

Note 2

Enter on lines 225, 951, 952, or 953, whichever applies, the actual amount of the loss. At the time of the application of the loss carryback, the net capital loss amount will be calculated at the inclusion rate of the year to which the net capital loss is applied.

- * • Losses from the 11th preceding tax year to be entered at line A and line B are those incurred in a tax year ending after March 22, 2004. If they were incurred in a tax year ending before March 23, 2004, enter the losses from the 8th preceding tax year.

- For non-capital losses, enter at line A the portion that has not been used in previous years and the current year. For allowable business investment losses, enter the full amount at line B.

** The inclusion rate is the one that you used to calculate your ABIL referred to at line B. Therefore, use one of the following inclusion rates, whichever applies:

- For ABILs incurred in 1999 and preceding tax years, use 0.75.
- For ABILs incurred in 2000 and 2001 tax years, the inclusion rate is equal to amount M on Schedule 6 - version T2SCH6(01).
- For ABILs incurred in 2002 and later tax years, use 0.5.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback

Farm losses at end of preceding tax year		
Deduct: Farm loss expired after 10 tax years *	300	
Farm losses at beginning of tax year	302	
Add: Farm losses transferred on an amalgamation or the wind-up of a subsidiary corporation	305	
Current-year farm loss	310	
Deduct:		
Other adjustments (includes adjustments for an acquisition of control)	350	
Section 80 – Adjustments for forgiven amounts	340	
Amount applied against taxable income (enter on line 334 of the T2 return)	330	
Amount applied against taxable dividends subject to Part IV tax	335	
		Subtotal
Deduct – Request to carry back farm loss to:		
First preceding tax year to reduce taxable income	921	
Second preceding tax year to reduce taxable income	922	
Third preceding tax year to reduce taxable income	923	
First preceding tax year to reduce taxable dividends subject to Part IV tax	931	
Second preceding tax year to reduce taxable dividends subject to Part IV tax	932	
Third preceding tax year to reduce taxable dividends subject to Part IV tax	933	
Farm losses – Closing balance	380	

* A farm loss expires as follows:

- After 7 tax years if it arose in a tax year ending before March 23, 2004;
- After 10 tax years if it arose in a tax year ending after March 22, 2004 and ending before 2006; or
- After 20 tax years if it arose in a tax year ending in 2006 and later.

Part 4 – Restricted farm losses

Current-year restricted farm loss

Total losses for the year from farming business	485		C
Minus the deductible farm loss:			
\$2,500 plus D or E, whichever is less	\$	2,500	
(Amount C above – \$2,500) divided by 2 =	D		
	\$	6,250	E
			2,500 F
Current-year restricted farm loss (amount C minus amount F) (enter this amount on line 410)			

Continuity of restricted farm losses and request for a carryback

Restricted farm losses at end of preceding tax year		
Deduct: Restricted farm loss expired after 10 tax years *	400	
Restricted farm losses at beginning of tax year	402	
Add: Restricted farm losses transferred on an amalgamation or the wind-up of a subsidiary corporation	405	
Current-year restricted farm loss (enter on line 233 of Schedule 1)	410	
Deduct:		
Amount applied against farming income (enter on line 333 of the T2 return)	430	
Section 80 – Adjustments for forgiven amounts	440	
Other adjustments	450	
		Subtotal
Deduct – Request to carry back restricted farm loss to:		
First preceding tax year to reduce farming income	941	
Second preceding tax year to reduce farming income	942	
Third preceding tax year to reduce farming income	943	
Restricted farm losses – Closing balance	480	

Note

The total losses for the year from all farming businesses are calculated without including scientific research expenses.

* A restricted farm loss expires as follows:

- After 7 tax years if it arose in a tax year ending before March 23, 2004;
- After 10 tax years if it arose in a tax year ending after March 22, 2004 and ending before 2006; or
- After 20 tax years if it arose in a tax year ending in 2006 and later.

Part 5 – Listed personal property losses

Continuity of listed personal property loss and request for a carryback

Listed personal property losses at end of preceding tax year		
Deduct: Listed personal property loss expired after seven tax years	500	
Listed personal property losses at beginning of tax year	502	
Add: Current-year listed personal property loss (from Schedule 6)	510	
	Subtotal	
Deduct:		
Amount applied against listed personal property gains (enter on line 655 of Schedule 6)	530	
Other adjustments	550	
	Subtotal	
Deduct – Request to carry back listed personal property loss to:		
First preceding tax year to reduce listed personal property gains	961	
Second preceding tax year to reduce listed personal property gains	962	
Third preceding tax year to reduce listed personal property gains	963	
Listed personal property losses – Closing balance	580	

Part 7 – Limited partnership losses

Current-year limited partnership losses						
1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Corporation's share of limited partnership loss	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, farming losses, and resource expenses	Column 4 minus column 5 If negative, enter "0".	Current-year limited partnership losses Column 3 - 6
600	602	604	606	608		620

Total (enter this amount on line 222 of Schedule 1)

Limited partnership losses from prior tax years that may be applied in the current year						
1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Limited partnership losses at end of preceding tax year	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, business or property losses, and resource expenses	Column 4 minus column 5 If negative, enter "0".	Limited partnership losses that may be applied in the year. The lesser of columns 3 and 6
630	632	634	636	638		650

Continuity of limited partnership losses that can be carried forward to future tax years					
Partnership identifier	Limited partnership losses at end of preceding tax year	Limited partnership losses transferred on an amalgamation or the wind-up of a subsidiary	Current-year limited partnership losses (from column 620)	Limited partnership losses applied (cannot exceed column 650)	Limited partnership losses closing balance (662 + 664 + 670 - 675)
660	662	664	670	675	680

Total (enter this amount on line 335 of the T2 return)

Non-Capital Loss Continuity Workchart

Part 6 – Analysis of balance of losses by year of origin

Non-capital losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2005		N/A		N/A			
2004		N/A		N/A			
2003	385,772	N/A		N/A	385,772		
2002		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			*
Total	385,772				385,772		

Farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2005		N/A		N/A			
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			
1997		N/A		N/A			
1996		N/A		N/A			*
Total							

Restricted farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A	N/A	
2005		N/A		N/A		N/A	
2004		N/A		N/A		N/A	
2003		N/A		N/A		N/A	
2002		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2000		N/A		N/A		N/A	
1999		N/A		N/A		N/A	
1998		N/A		N/A		N/A	
1997		N/A		N/A		N/A	
1996		N/A		N/A		N/A	*
Total						N/A	

* This balance expires this year and will not be available next year.

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

1 Class number	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate %	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (column 7 multiplied by column 8; or a lower amount) (line 403 of Schedule 1)****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
200		201	203	205	207	211		212	213	215	217	220
1	1	Buildings/Substation	2,554,603	146,424	0	73,212	2,627,815	4	0	0	105,113	2,595,914
2	1	Plant Feeders	5,106,784		0		5,106,784	4	0	0	204,271	4,902,513
3	1	Plant Distribution	9,886,935		0		9,886,935	4	0	0	395,477	9,491,458
4	1	Transformers	3,151,416		24,672		3,126,744	4	0	0	125,070	3,001,674
5	1	Meters	1,411,542		0		1,411,542	4	0	0	56,462	1,355,080
6	8	Other Equipment	208,551	135,369	0	67,685	276,235	20	0	0	55,247	288,673
7	10	Vehicles	292,775	55,655	0	27,828	320,602	30	0	0	96,181	252,249
8	12	Software	45,256	143,825	0		189,081	100	0	0	189,081	
9	45	Computer Hardware	35,126	13,527	0	6,764	41,889	45	0	0	18,850	29,803
10	47	Poles & Transmission Lines/Equip		1,653,996	0	826,998	826,998	8	0	0	66,160	1,587,836
Total		22,692,988	2,148,796		24,672	1,002,487	23,814,625				1,311,912	23,505,200

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return

Tax return			
Additions for tax purposes – Schedule 8 regular classes		2,148,796	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+		
Land purchased during the year	+	5,091	
Total additions per books	=	2,153,887	2,153,887
Proceeds up to original cost – Schedule 8 regular classes		24,672	
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
CDM Assets included as contributed capital	+	151,867	
Total proceeds per books	=	176,539	176,539
Depreciation and amortization per accounts – Schedule 1			– 1,542,164
Loss on disposal of fixed assets per accounts			–
Gain on disposal of fixed assets per accounts			+ 10,991
Net change per tax return			= 446,175

Financial statements			
Fixed assets (excluding land) per financial statements			
Closing net book value			19,403,986
Opening net book value	–		18,957,811
Net change per financial statements	=		446,175
If the amounts from the tax return and the financial statements differ, explain why below			

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporations(s)

	Name 100	Country of resi- dence (if other than Canada) 200	Business Number (Canadian corporation only) (see note 1) 300	Rela- tion- ship code (see note 2) 400	Number of common shares owned 500	% of common shares owned 550	Number of preferred shares owned 600	% of preferred shares owned 650	Book value of capital stock 700
1.	WELLAND HYDRO-ELECTRIC HOLDI		86360 4328 RC0001	1					
2.	WELLAND HYDRO ENERGY SERVICE		86375 9494 RC0001	3					
3.	City of Welland		NR	3					
4.	Welland WiFi Corp.		85056 2364 RC0001	3					

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1 – Parent 2 – Subsidiary 3 – Associated 4 – Related, but not associated.



CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")		200	2,030,344	A
Add:	Cost of eligible capital property acquired during the taxation year	222		
	Other adjustments	226		
	Subtotal (line 222 plus line 226)			B
	Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228		
				C
	amount B minus amount C (if negative, enter "0")			D
	Amount transferred on amalgamation or wind-up of subsidiary	224		E
	Subtotal (add amounts A, D, and E)	230	2,030,344	F
Deduct:	Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
	The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
	Other adjustments	246		I
	(add amounts G, H, and I)			J
				248
	Cumulative eligible capital balance (amount F minus amount J)		2,030,344	K
	(if amount K is negative, enter "0" at line M and proceed to Part 2)			
	Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
	amount K		2,030,344	
	less amount from line 249			
	Current year deduction		2,030,344	
		x 7.00 % =	142,124	*
	(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		142,124	L
	Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")		1,888,220	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

(complete this part only if the amount at line K is negative)

Page 2 of 2

SCHEDULE 13

- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- References to parts, sections, subsections, paragraphs, and subparagraphs are from the federal *Income Tax Act*.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Capital gains reserves

Part 1 – Capital gains reserves					
Description of property	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
001	002	003			004
Totals	008	009			010

The total capital gains reserve at the beginning of the taxation year plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary should be entered on line 880, and the total capital gains reserve at the end of the taxation year, should be entered on line 885 of Schedule 6.

Part 2 – Other reserves

Description	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input checked="" type="checkbox"/>	110 662,873	115		566,406	120 96,467
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	130 331,931	135	155,275		140 487,206
Reserve for prepaid rent <input type="checkbox"/>	150	155			160
Reserve for December 31, 1995 income <input type="checkbox"/>	170	175			180
Reserve for refundable containers <input type="checkbox"/>	190	195			200
Reserve for unpaid amounts <input type="checkbox"/>	210	215			220
Insurance corporation policy reserves <input type="checkbox"/>					
Bank reserves <input type="checkbox"/>					
Other tax reserves <input type="checkbox"/>	230	235			240
Totals	270 994,804	275	155,275	566,406	280 583,673

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1 as an addition.
The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1	PILs deferred revenue reserv	-63,426		69,967		6,541
2	Pension Liability - non-current	1,442,082			25,281	1,416,801
3	Pension Liability - current			70,545		70,545
4	Smart Meter Reserve			40,359		40,359
5	Conservation Reserve			446,847		446,847
6	Regulatory Asset Recoveries			1,338,412		1,338,412
7						
	Reserves from Part 2 of Schedule 13	662,873			566,406	96,467
	Totals	2,041,529		1,966,130	591,687	3,415,972

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

**AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO
ALLOCATE THE BUSINESS LIMIT**

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

- 1 - Associated for purposes of allocating the business limit (unless code 5 applies)
- 2 - CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 - Non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 - Associated non-CCPC
- 5 - Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2004	\$225,001 to \$250,000
2005	\$250,001 to \$300,000
2006	maximum \$300,000
2007	\$300,001 to \$400,000

If the calendar year to which this agreement applies is after 2007, ensure that the total at line A does not exceed \$400,000.

Allocating the business limit

Date filed (do not use this area) **025** Year Month Day

Enter the calendar year to which the agreement applies **050** Year 2006

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? **075** 1 Yes ☐ 2 No ☒

	1 Names of associated corporations	2 Business Number of associated corporations	3 Asso- ciation code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	100	200	300		350	400
1	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	1	300,000	100.0000	300,000
2	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	1	300,000		
3	WELLAND HYDRO ENERGY SERVICES CORP.	86375 9494 RC0001	1	300,000		
4	City of Welland	NR	4	300,000		
5	Welland WiFi Corp.	85056 2364 RC0001	1	300,000		
	Total				100.0000	300,000 A

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to $0.225\% \times (A - \$10,000,000)$ where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

*Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. In this case, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

**The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

***"Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.



PART I.3 TAX ON LARGE CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

- File this schedule if the total taxable capital employed in Canada of the corporation (other than a financial institution or an insurance corporation) and its related corporations is greater than \$10,000,000.
- Even if there is no Part I.3 tax payable for the days in the tax year that are after 2005, you must still complete this schedule (except parts 5 and 9).
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act* and the *Income Tax Regulations*.
- Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- No Part I.3 tax is payable for a taxation year by a corporation that was:
 - 1) bankrupt [as defined by subsection 128(3)] at the end of the year;
 - 2) a deposit insurance corporation throughout the year, as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
 - 3) exempt from tax under section 149 throughout the year on all of its taxable income;
 - 4) neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
 - 5) a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related processing) natural products belonging to or acquired from its members or customers.
- File the completed Schedule 33 with the *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- This schedule may contain changes that had not yet become law at the time of printing.

If the corporation was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 4, "Taxable capital employed in Canada."

Part 1 – Capital

Add the following amounts at the end of the year:

Reserves that have not been deducted in computing income for the year under Part I	101	3,319,505
Capital stock (or members' contributions if incorporated without share capital)	103	12,953,180
Retained earnings	104	1,214,220
Contributed surplus	105	
Any other surpluses	106	630,158
Deferred unrealized foreign exchange gains	107	
All loans and advances to the corporation	108	14,652,792
All indebtedness of the corporation represented by bonds, debentures, notes, mortgages, hypothecary claims, bankers' acceptances, or similar obligations	109	
Any dividends declared but not paid by the corporation before the end of the year	110	
All other indebtedness of the corporation (other than any indebtedness for a lease) that has been outstanding for more than 365 days before the end of the year	111	
Proportion of the amount, if any, by which the total of all amounts (see note below) for the partnership of which the corporation is a member at the end of the year exceeds the amount of the partnership's deferred unrealized foreign exchange losses	112	
Subtotal		32,769,855

32,769,855 A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year	122	
Any amount deducted under subsection 135(1) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of lines 101 to 112 above	123	
The amount of deferred unrealized foreign exchange losses at the end of the year	124	
Subtotal		

B

Capital for the year (amount A minus amount B) (if negative, enter "0")

190 32,769,855

Note: Lines 101, 107, 108, 109, 111, and 112 are determined as follows:

- If the partnership is a member of another partnership (tiered partnerships), include the amounts of the partnership and tiered partnerships.
- Amounts for the partnership and tiered partnerships are those that would be determined for lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
- Do not include amounts owing to the member or to other corporations that are members of the partnership.
- Amounts are determined at the end of the last fiscal period of the partnership ending in the year of the corporation.
- The proportion of the total amounts is determined by the corporation's share of the partnership's income or loss for the fiscal period of the partnership.

Part 2 – Investment allowance

Add the carrying value at the end of the year of the following assets of the corporation:

A share of another corporation	401	35,188
A loan or advance to another corporation (other than a financial institution)	402	52,776
A bond, debenture, note, mortgage, hypothecary claim, or similar obligation of another corporation (other than a financial institution)	403	
Long-term debt of a financial institution	404	
A dividend receivable on a share of the capital stock of another corporation	405	

A loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim, or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial institutions) that were not exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)]	406	
An interest in a partnership (see note 1 below)	407	

Investment allowance for the year (add lines 401 to 407) **490** 87,964

Notes:

- Where the corporation has an interest in a partnership or in tiered partnerships, consider the following:
 - the investment allowance of a partnership is deemed to be the amount calculated at line 490 above, at the end of its fiscal period, as if it was a corporation;
 - the total of the carrying value of each asset of the partnership described in the above lines is for its last fiscal period ending at or before the end of the corporation's tax year; and
 - the carrying value of a partnership member's interest at the end of the year is its specified proportion [as defined in subsection 248(1)] of the partnership's investment allowance.
- Lines 401 to 405 should not include the carrying value of a share of the capital stock of, a dividend payable by, or indebtedness of a corporation that is exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)].
- Where a trust is used as a conduit for loaning money from a corporation to another related corporation (other than a financial institution), the loan will be considered to have been made directly from the lending corporation to the borrowing corporation, according to subsection 181.2(6).

Part 3 – Taxable capital

Capital for the year (line 190)	32,769,855	C
Deduct: Investment allowance for the year (line 490)	87,964	D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0")	500 32,681,891	

Part 4 – Taxable capital employed in Canada

To be completed by a corporation that was resident in Canada at any time in the year

Taxable capital for the year (line 500)	32,681,891	x	Taxable income earned in Canada	610 1,768,079	=	Taxable capital employed in Canada 690 32,681,891
			Taxable income	1,768,079		

- Notes:**
- Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
 - Where a corporation's taxable income for a tax year is "0," it shall, for the purposes of the above calculation, be deemed to have a taxable income for that year of \$1,000.
 - In the case of an airline corporation, Regulation 8601 should be considered when completing the above calculation.

To be completed by a corporation that was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation used in the year or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada	701
--	------------

Deduct the following amounts:

Corporation's indebtedness at the end of the year [other than indebtedness described in any of paragraphs 181.2(3)(c) to (f)] that may reasonably be regarded as relating to a business it carried on during the year through a permanent establishment in Canada	711
---	------------

Total of all amounts each of which is the carrying value at the end of year of an asset described in subsection 181.2(4) of the corporation that it used in the year, or held in the year, in the course of carrying on any business during the year through a permanent establishment in Canada	712
--	------------

Total of all amounts each of which is the carrying value at the end of year of an asset of the corporation that is a ship or aircraft the corporation operated in international traffic, or personal or movable property used or held by the corporation in carrying on any business during the year through a permanent establishment in Canada (see note below)	713
---	------------

Total deductions (add lines 711, 712, and 713) **790** E

Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0") **790**

Note: Complete line 713 only if the country in which the corporation is resident did not impose a capital tax for the year on similar assets, or a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

Part 5 – Calculation of gross Part 1.3 tax

If the tax year starts after 2005, do not complete this part.

Taxable capital employed in Canada (line 690 or 790, whichever applies)	32,681,891	
Deduct: Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations, the amount allocated on Schedule 36)	801 35,000,000	
Excess of taxable capital employed in Canada over capital deduction	811	
Line 811 \times $\frac{\text{Number of days in the tax year in 2004}}{\text{Number of days in the tax year}}$ \times 0.002 =	F	
Line 811 \times $\frac{\text{Number of days in the tax year in 2005}}{\text{Number of days in the tax year}}$ \times 0.00175 =	G	
Note: The Part 1.3 tax rate is reduced to 0% for the days in the tax year that are after 2005.		
Subtotal (add amounts F and G)	H	
Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax as follows:		
Amount H \times $\frac{\text{Number of days in the year (365)}}{365}$ =	I	
Gross Part 1.3 tax (amount H or I, whichever applies)	820	

Part 6 – Calculation of gross Part 1.3 tax for purposes of the unused surtax credit

Taxable capital employed in Canada (line 690 or 790, whichever applies)	32,681,891	J
Deduct: Line 801 above \times $\frac{35,000,000}{1/5}$ =	7,000,000	K
Excess (amount J minus amount K) (if negative, enter "0")	25,681,891	L
Amount L \times 0.00225 =	57,784	M
Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax for purposes of the unused surtax credit as follows:		
Amount M \times $\frac{\text{Number of days in the year (365)}}{365}$ =	N	
Gross Part 1.3 tax for purposes of the unused surtax credit (amount M or N, whichever applies)	821 57,784	

Part 7 – Calculation of current-year surtax credit available

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. This is called the surtax credit.
- Any unused surtax credit can be carried back three years or carried forward seven years. Unused surtax credits must be applied in order of the oldest first.
- Refer to subsection 181.1(7) when calculating the amount deductible for a corporation's unused surtax credits where control of the corporation has been acquired between the year in which the credits arose and the year in which you want to claim them.

For a corporation that was a non-resident of Canada throughout the year, enter amount **a** or **b** at line O, whichever is less:

a) line 600 from the T2 return **a**
b) line 700 from the T2 return **b** O

In any other case, enter amount **c** or **d** at line P, whichever is less:

c) line 600 from the T2 return $\frac{19,802}{32,681,891} \times \frac{\text{line 690 of this schedule}}{\text{line 500 of this schedule}} = \frac{19,802}{32,681,891}$ **c**
d) line 700 from the T2 return 364,098 **d** 19,802 P

Current-year surtax credit available (amount O or P, whichever applies) **830** 19,802

Part 8 – Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830) 19,802
Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) 57,784

Current-year unused surtax credit (if negative, enter "0") **850**

Enter this amount at line 600 on Schedule 37.

Part 9 – Calculation of net Part I.3 tax payable

If the tax year starts after 2005, do not complete this part.

Gross Part I.3 tax (line 820) Q

Deduct:

Current-year surtax credit applied (line 820 or 830, whichever is less) **861**
Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862**
Subtotal (cannot be more than amount on line 820) R

Net Part I.3 tax payable (amount Q minus amount R) **870**

Enter this amount at line 704 of the T2 return.

Part 10 – Calculation for purposes of the small business deduction

This part is applicable only to corporations that are not associated in the current year, but were associated in the prior year.

Taxable capital employed in Canada (line 690 or 790, whichever applies) S

Deduct:

Capital deduction claimed for the year (enter \$10,000,000) T
Excess (amount S minus amount T) (if negative, enter "0") U

Gross Part I.3 tax for purposes of the small business deduction (Amount U x 0.00225) V

Enter this amount at line 415 of the T2 return

Attached Schedule with Total

Part 1 – Reserves that have not been deducted in computing income for the year under Part I

Title Supplement to Schedule 33 line 101

Description	Amount	
LT employee future benefits	1,416,801	00
Current employee future benefits	70,545	00
Adjustment for recovery of payment in lieu of tax	6,541	00
Other reserves	1,825,618	00
Total	3,319,505	00

Attached Schedule with Total

Part 1 – All loans and advances to the corporation

Title Supplement to Schedule 33 line 108

Description	Amount	
LT customer deposits	451,850	00
Current customer deposits	700,989	00
Note Payable	13,499,953	00
Total	14,652,792	00

Attached Schedule with Total

Part 2 – A loan or advance to another corporation (other than a financial institution)

Title Supplement to CT23 line 406 & Sch 33 line 402

Description	Amount	
<u>Eligible advances included in prepaid accounts</u>	<u>10,488</u>	<u>00</u>
<u>Loan to Related Corp.</u>	<u>42,288</u>	<u>00</u>
Total	52,776	00

**AGREEMENT AMONG RELATED CORPORATIONS – PART I.3 TAX**

- Members of a related group of corporations should use this schedule to allocate the capital deduction of \$50,000,000 among the members of the related group. **Do not file this agreement if no members of the related group have to pay Part I.3 tax.**
- In cases where a related corporation has more than one taxation year ending in a calendar year, it has to file an agreement for each of those taxation years.
- A corporation that is related to any other corporation at any time in a taxation year of the corporation that ends in a calendar year may file such an agreement.
- In accordance with subsection 181.5(7) of the federal *Income Tax Act*, a Canadian-controlled private corporation is not considered to be related to another corporation for purposes of the capital deduction unless it is also associated with that corporation.

Agreement

Date filed (do not use this area)	.....	010	Year Month Day
Is this an amended agreement?	.....	020	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>
Calendar year to which the agreement applies	.....	030	Year 2006

Note: This agreement must include all the information indicated below for all members of the related group, including members to which no amount of capital deduction is allocated for the year. However, any member that is exempt from Part 1.3 tax under subsection 181.1(3) does not have to be included.

	Names of all corporations which are members of the related group 200	Business Number (if a corporation is not registered, enter "NR") 300	Allocation of capital deduction for the year \$ 400	Taxation year end to which this agreement applies* (YYYY/MM/DD) 500
1	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	35,000,000	
2	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	5,000,000	
3	WELLAND HYDRO ENERGY SERVICES CORP.	86375 9494 RC0001	10,000,000	
4	City of Welland	NR		
5	Welland WiFi Corp.	85056 2364 RC0001		

Total (cannot be more than \$50,000,000)

50,000,000

* Entries are only required in this column for a corporation that has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year. The capital deduction of the first corporation for each such taxation year at the end of which it is related to the other corporation is an amount equal to its capital deduction for the first such taxation year. Enter the taxation year end to which this agreement applies.

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder				
Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)		Business Number	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
100		200	300	350	400	500
1	Welland Hydro-Electric Holding Corp.	86360 4328 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						



GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2006-12-31

On: 2006-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006? ☒ Yes ☐ No
 2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006? _____
 3. If yes, during that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA? ☒ Yes ☐ No
- If the answer to question 3 is yes, complete Part 5.**

Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year? ☒ Yes ☐ No
 5. Corporations that become a CCPC or a DIC ☐ Yes ☒ No
- If the answer to question 5 is yes, complete Part 4.**

Amalgamation

6. Corporations that were formed as a result of an amalgamation ☐ Yes ☒ No
- If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.**
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC? ☐ Yes ☐ No
- If the answer to question 7 is yes, complete Part 4.**
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation? ☐ Yes ☐ No
- If the answer to question 8 is yes, complete Part 3.**

Winding-up

9. Corporations that wound-up a subsidiary ☐ Yes ☒ No
- If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.**
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year? ☐ Yes ☐ No
- If the answer to question 10 is yes, complete Part 4.**
11. Was the subsidiary a CCPC or a DIC during its last taxation year? ☐ Yes ☐ No
- If the answer to question 11 is yes, complete Part 3.**

Part 1 – Calculation of general rate income pool (GRIP)

If the corporation's tax year includes January 1, 2006, complete "Part 5 – GRIP addition for 2006" and then line 050. Otherwise, complete line 100.

GRIP addition for 2006 (the greater of amount QQ from Part 5 or "0")	050		A
GRIP at the end of the previous tax year	100		B
Taxable income for the year (DICs enter "0")*	110	1,768,079	C
Income for the credit union deduction* (amount E in Part 3 of Schedule 17)	120		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less*	130	300,000	
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income*	140		
Subtotal (add lines 120, 130, and 140)		300,000	D
Income taxable at the general corporate rate (line C minus line D)	150	1,468,079	
After-tax income (line 150 multiplied by 68 %)	190	998,294	E
Eligible dividends received in the tax year	200	3,111	
Dividends deductible under section 113 received in the tax year	210		
Subtotal (add lines 200 and 210)		3,111	F
GRIP addition:			
Becoming a CCPC (line PP from Part 4)	220		
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	230		
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	240		
Subtotal (add lines 220, 230, and 240)	290		G
Subtotal (add lines A or B (as applicable), E, F, and G)		1,001,405	H
Eligible dividends paid in the previous tax year	300		
Excessive eligible dividend designations made in the previous tax year	310		
Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.			
Subtotal (line 300 minus line 310)			I
GRIP before adjustment for specified future tax consequences (line H minus line I) (amount can be negative)	490	1,001,405	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount Y from Part 2)	560		
GRIP at the end of the year (line 490 minus line 560)	590	1,001,405	

* **Note:** For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560 of page 1 or leave it blank.

First previous tax year 2005-12-31

Taxable income before specified future tax consequences from the current tax year	J1
Enter the following amounts before specified future tax consequences from the current tax year:	
Income for the credit union deduction (amount E in Part 3 of Schedule 17)	K1
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less	L1
Aggregate investment income (line 440 of the T2 return)	M1
Subtotal (add lines K1, L1, and M1)	O1
Subtotal (line J1 minus line O1) (if negative, enter "0")	P1

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences Q1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction

(amount E in Part 3 of Schedule 17) . . . R1

Amount on line 400, 405, 410, or 425

of the T2 return, whichever is less . . . S1

Aggregate investment income

(line 440 of the T2 return) T1

Subtotal (add lines R1, S1, and T1) ► V1

Subtotal (line Q1 minus line V1) (if negative, enter "0") ► W1

Subtotal (line P1 minus line W1) (if negative, enter "0") ► X1

GRIP adjustment for specified future tax consequences to first previous tax year (line X1 multiplied by 68 %) . . . **500**

Second previous tax year 2004-12-31

Taxable income before specified future tax consequences from

the current tax year J2

Enter the following amounts before specified future tax

consequences from the current tax year:

Income for the credit union deduction

(amount E in Part 3 of Schedule 17) . . . K2

Amount on line 400, 405, 410, or 425

of the T2 return, whichever is less . . . L2

Aggregate investment income

(line 440 of the T2 return) M2

Accelerated tax reduction (line 637 of

T2 return)* multiplied by 100/7 N2

Subtotal (add lines K2, L2, M2, and N2) ► O2

Subtotal (line J2 minus line O2) (if negative, enter "0") ► P2

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences Q2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction

(amount E in Part 3 of Schedule 17) . . . R2

Amount on line 400, 405, 410, or 425

of the T2 return, whichever is less . . . S2

Aggregate investment income

(line 440 of the T2 return) T2

Accelerated tax reduction (line 637 of

T2 return)* multiplied by 100/7 U2

Subtotal (add lines R2, S2, T2, and U2) ► V2

Subtotal (line Q2 minus line V2) (if negative, enter "0") ► W2

Subtotal (line P2 minus line W2) (if negative, enter "0") ► X2

GRIP adjustment for specified future tax consequences to second previous tax year (line X2 multiplied by 68 %) **520**

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**Third previous tax year** 2003-12-31Taxable income before specified future tax consequences from
the current tax year J3Enter the following amounts before specified future tax
consequences from the current tax year:Income for the credit union deduction
(amount E in Part 3 of Schedule 17) . . . K3Amount on line 400, 405, 410, or 425
of the T2 return, whichever is less . . . L3Aggregate investment income
(line 440 of the T2 return) M3Accelerated tax reduction (line 637 of
T2 return)* **multiplied by 100/7** N3Subtotal (add lines K3, L3, M3, and N3) **▶** O3Subtotal (line J3 **minus** line O3) (if negative, enter "0") **▶** P3

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences Q3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction
(amount E in Part 3 of Schedule 17) . . . R3Amount on line 400, 405, 410, or 425
of the T2 return, whichever is less . . . S3Aggregate investment income
(line 440 of the T2 return) T3Accelerated tax reduction (line 637 of
T2 return)* **multiplied by 100/7** U3Subtotal (add lines R3, S3, T3, and U3) **▶** V3Subtotal (line Q3 **minus** line V3) (if negative, enter "0") **▶** W3Subtotal (line P3 **minus** line W3) (if negative, enter "0") **▶** X3**GRIP adjustment for specified future tax consequences to third previous tax year** (line X3 **multiplied by** 68 %) . . . **540****Total GRIP adjustment for specified future tax consequences to previous tax years:**

(add lines 500, 520, and 540) (if negative, enter "0") Y

Enter amount Y on line 560.

***Note:** The accelerated tax reduction was available for 2001 to 2004 tax years.**Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up
(predecessor or subsidiary was a CCPC or DIC in its last tax year)****nb. 1** Postamalgamation . . . ☐ Post-wind-up ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was a CCPC or DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year AA

Eligible dividends paid by the corporation in its last tax year BB

Excessive eligible dividend designations made by the corporation in its last tax year CC

Subtotal (line BB **minus** line CC) **▶** DD**GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year)**(line AA **minus** line DD) EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 5 – GRIP addition for 2006

Use this part to calculate the GRIP balance for a corporation that was a CCPC, or would have been but for an election under subsection 89(11), throughout its tax year that includes January 1, 2006.

	Tax years ending in				
	2001	2002	2003	2004	2005
1. Taxable income for the year*					
2. Income for manufacturing and processing profits deduction* (lesser of amount V and Y in Part 9 of Schedule 27)				NIL	NIL
3. Income for manufacturing and processing profits deduction – electrical energy, steam* (amount QQ in Part 13 of Schedule 27)				NIL	NIL
4. Taxable resource income* (line 435 of the T2 return)					
5. Income for the credit union deduction* (amount E in Part 3 of Schedule 17)					
6. Income for the small business deduction* (amount on line 400, 405, 410, and 425 of the T2 return, whichever is less)					
7. Aggregate investment income* (line 440 of the T2 return)					
8. Income for the accelerated tax reduction* (line 637 of the T2 return multiplied by 100/7)					NIL
9. Subtotal (add rows 2 through 8)					
10. Full rate taxable income before specified future tax consequences (row 1 minus row 9) (if negative, enter "0")					
11. Multiply row 10 by 63.00 %					
12. Dividends deductible under subsection 112(1) received from connected corporations, that are reasonably considered, to have been paid out of full rate taxable income in respect of the payer corporation	941	942	943	944	945
13. Subtotal (add row 11 and row 12)					
14. Total taxable dividends paid by the corporation (greater of amounts on line 460 and line 500 on Schedule 3)					100,000
15. GRIP addition (row 13 minus row 14) (if negative, enter "0")	951	952	953	954	955

GRIP addition for 2006 (add lines 951, 952, 953, 954, and 955) QQ

Enter the greater of amount QQ or "0" on line 050.

* **Note:** For rows 1 to 8, all income amounts are before considering the specified future tax consequences for that tax year.



PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year-end Year Month Day 2006-12-31
--	--	--

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool Calculation (LRIP)*; whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- Parts, subsections, and paragraphs mentioned in this schedule refer to the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year not included in Schedule 3		
Taxable dividends paid in the tax year included in Schedule 3	1,300,000	
Total taxable dividends paid in the tax year	100	1,300,000
Total eligible dividends paid in the tax year	150	
GRIP at the end of the year (line 590 on Schedule 53) (if negative, enter "0")	160	1,001,405
Excessive eligible dividend designation (line 150 minus line 160)		A
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (line A multiplied by 20%)	x 20 %	190

Part 2 – Other corporations

Taxable dividends paid in the tax year not included in Schedule 3		
Taxable dividends paid in the tax year included in Schedule 3		
Total taxable dividends paid in the tax year	200	
Total excessive eligible dividend designations in the tax year (line A of Schedule 54)		B
Part III.1 tax on excessive eligible dividend designations – Other corporations (line B multiplied by 20%)	x 20 %	290



Ontario

Ministry of Finance
Corporations Tax
33 King St. West
PO Box 622
Oshawa ON L1H 8H6

Authorizing or Cancelling a Representative

Complete this form to:

- **authorize** the release of confidential information about the Corporations Tax, Mining Tax or Electricity Act account(s) to the representative named below.
- **cancel** an existing authorization.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Part 1 Client Information

Legal Name	Phone number	This authorization applies to the following statute(s) and account number(s). <input checked="" type="checkbox"/> Corporations Tax Act 1800215 <input type="checkbox"/> Mining Tax Act <input type="checkbox"/> Electricity Act
WELLAND HYDRO ELECTRIC SYSTEM CORP.	(905) 732-1381	
Mailing address		
Apt./Suite/Unit no. Street number and name / PO Box, RR		
950 EAST MAIN STREET	P.O. BOX 280	
City	Province/Territory	Postal code
WELLAND	ON	L3B 5P6

Part 2 Authorize the release of information to a representative

Name of representative (If a firm, name of firm.)	Phone number	Fax number
Last	First	
Deloitte & Touche LLP	(519) 650-7600	(519) 650-7601
Mailing address		
Apt./Suite/Unit no. Street number and name / PO Box, RR		
4210 King St. East		
City	Province/Territory	Postal code
Kitchener	ON	N2P 2G2

If your representative is a firm, and you want a specific person in the firm to represent you, state their name and title.
If you do not identify a specific individual in the firm, you are authorizing the Ministry of Finance to deal with anyone from that firm.

Name of person in firm	Title
Last	First

Part 3 Authorization scope and applicable years

<input type="checkbox"/> Representative to deal fully on your behalf with the Ministry of Finance.	<input checked="" type="checkbox"/> Representative to act for all years , including all previous and future years. <input type="checkbox"/> Representative to act for specific year or years (describe). ▼
or <input type="checkbox"/> Representative to deal in a limited manner on your behalf, for matters specified here. (e.g., account inquiry, applications, annual returns, payments, etc.) ▼	

Part 4 Cancel the release of information to a representative

Name of representative (If a firm, name of firm.)	
Last	First

If your representative is an individual within a firm, state their name and title.

Name of person in firm	Title
Last	First

Part 5 Signature *This form will not be accepted unless it is completed fully, signed and dated.*

I authorize the Ministry of Finance to:

- release confidential information about the tax accounts specified in Part 1 and to deal with the representative named in Part 2 in the manner described in Part 3; and/or
- cancel an existing authorization as described in Part 4.

Name	Title / Relationship to Corporation	Phone number
Last	First	
PEEVER ROSS	PRESIDENT	(905) 732-1381
Signature		Date
		2007-06-18



Ontario

Ministry of Finance

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

2007

CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2004

Corporations Tax Act – Ministry of Finance (MOF)
Corporations Information Act – Ministry of Government Services (MGS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Government Services (MGS) **Annual Return**. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3-17. Corporations that **do not** meet the EFF criteria but **do** meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

MGS Annual Return Required? (Not required if already filed or Annual Return exempt. Refer to Guide)

☒ Yes

☐ No

Page 1 of 20

Ministry Use

Corporation's Legal Name (including punctuation)

WELLAND HYDRO ELECTRIC SYSTEM CORP.

Mailing Address

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Has the mailing address changed since last filed CT23 Return?

☐ Yes

Date of Change

year month day

Registered/Head Office Address

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Location of Books and Records

950 EAST MAIN STREET
P.O. BOX 280
WELLAND
ON CA L3B 5P6

Name of person to contact regarding this CT23 Return

Telephone No.

Fax No.

ROSS PEEVER

(905) 732-1381

Address of Principal Office in Ontario (Extra-Provincial Corporations only)

(MGS)

Ontario Canada

Former Corporation Name (Extra-Provincial Corporations only)

☒ Not Applicable

(MGS)

Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS).

No. of Schedule(s)

If there is **no change** to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS).

☒ No Change

Ontario Corporations Tax Account No. (MOF)

1800215

This Return covers the Taxation Year

Start

year month day

2006-01-01

End

year month day

2006-12-31

Date of Incorporation or Amalgamation

year month day

2000-07-01

Ontario Corporation No. (MGS)

1426855

Canada Revenue Agency Business No.

If applicable, enter

86375 9692 RC0001

Jurisdiction Incorporated

Ontario

If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased:

Commenced

year month day

Ceased

year month day

☒ Not Applicable

Preferred Language / Langue de préférence

☒ English
anglais

☐ French
français

Ministry Use



Certification (MGS)

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person (Print clearly or type in full)

ROSS PEEVER

Title ☒ Director ☒ Officer ☐ Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2006-12-31

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable (X) box(es) and complete required information.

Type of corporation

1 ☒ Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))

2 ☐ Other Private

3 ☐ Public

4 ☐ Non-share Capital

5 ☐ Other (specify) ▼

Share Capital with full voting rights
owned by Canadian Residents 100 (nearest percent) %

- 2**
- 1 ☐ Family Farm corporation s.1(2)
- 2 ☐ Family Fishing corporation s.1(2)
- 3 ☐ Mortgage Investment corporation s.47
- 4 ☐ Credit Union s.51
- 5 ☐ Bank Mortgage subsidiary s.61(4)
- 6 ☐ Bank s.1(2)
- 7 ☐ Loan and Trust corporation s.61(4)
- 8 ☐ Non-resident corporation s.2(2)(a) or (b)
- 9 ☐ Non-resident corporation s.2(2)(c)
- 10 ☐ Mutual Fund corporation s.48
- 11 ☐ Non-resident owned Investment corporation s.49
- 12 ☐ Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
- 14 ☐ Bare Trustee corporation
- 15 ☐ Branch of Non-resident s.63(1)
- 16 ☐ Financial institution prescribed by Regulation only
- 17 ☐ Investment Dealer
- 18 ☐ Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
- 19 ☒ Hydro successor, municipal electrical utility or subsidiary of either
- 20 ☐ Producer and seller of steam for uses other than for the generation of electricity
- 21 ☐ Insurance Exchange s.74.4
- 22 ☐ Farm Feeder Finance Co-operative corporation
- 23 ☐ Professional corporation (incorporated professionals only)

☐ This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)

☐ Amended Return

☐ Taxation year end change – Canada Revenue Agency approval required

☐ Final taxation year up to dissolution (Note: for discontinued businesses, see guide.)

☐ Final taxation year before amalgamation

☐ The corporation has a floating fiscal year end

☐ There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario

☐ There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year

If checked, date control was acquired

year month day

☐ The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)

☐ First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)

☐ Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

Yes No

☐ ☒ Was the corporation inactive throughout the taxation year?

☒ ☐ Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

☐ ☒ the Carry-back of a Loss?

☐ ☒ an Overpayment?

☐ ☒ a Specified Refundable Tax Credit?

☐ ☒ Are you a member of a Partnership or Joint Venture?

Complete if applicable

Ontario Retail Sales Tax Vendor
Permit no. (Use head office no.)

Ontario Employer Health Tax
Account no. (Use head office no.)

Specify major business activity

Allocation – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	- - - - -	±	From 690	2,157,587 ●
Subtract: Charitable donations	- - - - -	-	1	625 ●
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	- - - - -	-	2	●
Subtract: Taxable dividends deductible, per federal Schedule 3	- - - - -	-	3	3,111 ●
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	- - - - -	-	4	●
Subtract: Federal Part VI.1 tax	● x 3	-	5	●
Subtract: Prior years' losses applied – Non-capital losses	- - - - -	-	From 704	385,772 ●
	From 715			
Net capital losses (page 16)	● x inclusion rate	50.000000 % =	714	●
Farm losses	- - - - -	-	From 724	●
Restricted farm losses	- - - - -	-	From 734	●
Limited partnership losses	- - - - -	-	From 754	●
Taxable Income (Non-capital loss)	- - - - -	=	10	1,768,079 ●
Addition to taxable income for unused foreign tax deduction for federal purposes	- - - - -	+ 11		●
Adjusted Taxable Income	10 + 11 (if 10 is negative, enter 11)	=	20	1,768,079 ●

Taxable Income

From 10 (or 20 if applicable)	1,768,079 ● x 30	100.0000 %	x 12.5 %	x 33	÷ 73	365	= + 29	●
		Ontario Allocation						
From 10 (or 20 if applicable)	1,768,079 ● x 30	100.0000 %	x 14 %	x 34	365 ÷ 73	365	= + 32	247,531 ●
		Ontario Allocation						
Income Tax Payable (before deduction of tax credits)	29 + 32	- - - - -	=	40				247,531 ●

Number of Days in Taxation Year

Days after Dec. 31, 2002 and before Jan. 1, 2004

Total Days

Days after Dec. 31, 2003

Total Days

Incentive Deduction for Small Business Corporations (IDSBC) (s.41)**If this section is not completed, the IDSBC will be denied.**

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X)

☒ Yes ☐ No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - -	50	2,154,476 ●
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	1,768,079 ●	
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52	385,772 ●	
Subtract: Losses of other years deducted for Ontario purposes (s.34)	- 53	385,772 ●	
	=	1,768,079 ●	54 1,768,079 ●
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -	55	300,000 ●

Ontario Business Limit Calculation

320,000 x	31	÷	365	= + 46	●
	Days after Dec. 31, 2002 and before Jan. 1, 2004		**		
400,000 x	34	365 ÷	365	= + 47	400,000 ●
	Days after Dec. 31, 2003		**		
Business Limit for Ontario purposes	46 + 47	=	44	400,000 ● x	48 100.0000 % = 45 400,000 ●
					Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.
Income eligible for the IDSBC	- - - - -	From 30	100.0000 %	x 56	400,000 ● = 60 400,000 ●
			***Ontario Allocation	Least of 50 , 54 or 45	

* **Note:** Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)

** **Note:** Adjust accordingly for a floating taxation year and use 366 for a leap year.

*** **Note:** Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

continued on Page 5

Income Tax *continued from Page 4*

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days <div style="display: flex; justify-content: space-between;"> 31 73 365 </div>			
Calculation of IDSBC Rate	- - - - -	7 %	x	= +	89
		Days after Dec. 31, 2003 Total Days <div style="display: flex; justify-content: space-between;"> 34 365 73 365 </div>			
		8.5 %	x	= +	90
					8.5000
IDSBC Rate for Taxation Year				=	78
					8.5000
Claim		From 60	400,000 ●	x	From 78
					8.5000 %
				=	70
					34,000 ●

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in 114 below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

*Taxable Income of the corporation	- - - - -	From 10	(or 20 if applicable)	+ 80	1,768,079 ●
If you are a member of an associated group (X) 81 <input checked="" type="checkbox"/> (Yes)					
Name of associated corporation (Canadian & foreign) <i>(if insufficient space, attach schedule)</i>	Ontario Corporations Tax Account No. (MOF) <i>(if applicable)</i>	Taxation Year End	* Taxable Income <i>(if loss, enter nil)</i>		
See schedule			+ 82		
			+ 83		
			+ 84		
Aggregate Taxable Income				=	85
					1,768,079 ●

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days <div style="display: flex; justify-content: space-between;"> 31 73 365 </div>			
320,000	x	= +	115		
		Days after Dec. 31, 2003 Total Days <div style="display: flex; justify-content: space-between;"> 34 365 73 365 </div>			
400,000	x	= +	116		
					400,000 ●
				=	114
					400,000 ●
(If negative, enter nil)				=	86
					1,368,079 ●

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002 Total Days <div style="display: flex; justify-content: space-between;"> 38 365 73 365 </div>			
Calculation of Specified Rate for Surtax	- - - - -	4.6670 %	x	= +	97
					4.6670
		From 86	1,368,079 ●	x	From 97
					4.6670 %
				=	87
					63,848 ●
		From 87	63,848 ●	x	From 60
					400,000 ●
				÷	From 114
					400,000 ●
				=	88
					63,848 ●
Surtax Lesser of		70	or	88	
				=	100
					34,000

* **Note: Short Taxation Years** – Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

Additional Deduction for Credit Unions (s.51(4)) (Attach schedule 17)

110

Manufacturing and Processing Profits Credit (M&P) (s.43)

Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: **a)** your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and **b)** the total active business income is \$250,000 or less.

Eligible Canadian Profits

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - From 56 400,000

Add: Adjustment for Surtax on Canadian-controlled private corporations

$$\frac{\text{From } 100}{34,000} \div \frac{\text{From } 30}{100.0000\%} \div \frac{\text{From } 78}{8.5000\%} = 121 \quad 400,000$$

*Ontario Allocation

Lesser of 56 or 121 - - - - - + 122 400,000

120 - 56 + 122 - - - - - = 130

Taxable Income - - - - - + From 10 1,768,079

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - From 56 400,000

Add: Adjustments for Surtax on Canadian-controlled private corporations - - - - - + From 122 400,000

Subtract: Taxable Income 10 1,768,079 X Allocation % to jurisdictions outside Canada - - - - - 140

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses - - - - - 141

10 - 56 + 122 - 140 - 141 - - - - - = 142 1,768,079

Claim**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days

$$143 \times \text{From } 30 \div 100.0000\% \times 1.5\% \times \frac{33}{73} \div 365 = 154$$

Lesser of 130 or 142 Ontario Allocation

$$143 \times \text{From } 30 \div 100.0000\% \times 2\% \times \frac{34}{73} \div 365 = 156$$

Lesser of 130 or 142 Ontario Allocation

M&P claim for taxation year 154 + 156 - - - - - = 160

* **Note:** Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))

Manufacturing and Processing Profits Credit for Electrical Generating Corporations

= 161

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity

= 162

Credit for Foreign Taxes Paid (s.40)

Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). (Attach schedule)

170

Credit for Investment in Small Business Development Corporations (SBDC)

Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit 175

Credit Claimed 180

Subtotal of Income Tax

40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 - - - - - = 190 247,531

continued on Page 7

Income Tax continued from Page 6

Specified Tax Credits (Refer to Guide)

Ontario Innovation Tax Credit (OITC) (s.43.3)*Applies* to scientific research and experimental development in Ontario.

Eligible Credit From 5620 OITC Claim Form (Attach original Claim Form) - - - - - + 191

Co-operative Education Tax Credit (CETC) (s.43.4)*Applies* to employment of eligible students.

Eligible Credit From 5798 CT23 Schedule 113 (Attach Schedule 113) - - - - - + 192

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)*Applies* to qualifying Ontario labour expenditures for eligible Canadian content film and television productions.

204
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6)*Applies* to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005.

No. of Graduates From 6596
194
Eligible Credit From 6598 CT23 Schedule 115 (Attach Schedule 115) - - - - - + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)*Applies* to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.

Eligible Credit From 6900 OBPTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)*Applies* to labour relating to computer animation and special effects on an eligible production.

Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)*Applies* to qualifying R&D expenditures under an eligible research institute contract.

Eligible Credit From 7100 OBRITC Claim Form (Attach original Claim Form) - - - - - + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)*Applies* to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.

Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)*Applies* to qualifying labour expenditures of eligible products for the taxation year.

Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) - - - - - + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)*Applies* to qualifying expenditures in respect of eligible Canadian sound recordings.

Eligible Credit From 7500 OSRTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13)*Applies* to employment of eligible apprentices.

No. of Apprentices From 5896
202
Eligible Credit From 5898 CT23 Schedule 114 (Attach Schedule 114) - - - - - + 203
Other (specify) - - - - - + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220

Specified Tax Credits Applied to reduce Income Tax - - - - - = 225

Income Tax 190 - 225 OR Enter NIL if reporting Non-Capital Loss (amount cannot be negative) - - - - = 230 247,531

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see Determination of Applicability section for the CMT on Page 8. If CMT is not applicable, transfer amount in 230 to Income Tax in Summary section on Page 17.

OR
If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the Application of CMT Credit Carryovers section part B, on Page 8.

DOLLARS ONLY

Total Assets of the corporation	- - - - -	+	240	35,769,397	●
Total Revenue of the corporation	- - - - -	+	241	44,378,853	●

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X) ☐ 242 ☒ (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
WELLAND HYDRO-ELECTRIC HOLDING CORP.	1800213	2006-12-31	+ 243 14,268,582 ●	+ 244 1,302,201 ●
WELLAND HYDRO ENERGY SERVICES CORP.	1800214	2006-12-31	+ 245 28,421 ●	+ 246 201,764 ●
Welland WiFi Corp.		2006-12-31	+ 247 38,495 ●	+ 248 ●
Aggregate Total Assets	240 + 243 + 245 + 247, etc.	- - - - -	= 249 50,104,895 ●	
Aggregate Total Revenue	241 + 244 + 246 + 248, etc.	- - - - -		= 250 45,882,818 ●

Determination of Applicability

Applies if **either** Total Assets ☐ 249 exceeds \$5,000,000 **or** Total Revenue ☐ 250 exceeds \$10,000,000.

Short Taxation Years – Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

Associated Corporation – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101**.

Calculation: CMT (Attach Schedule 101.)

Gross CMT Payable	- - CMT Base	From Schedule 101	2136	2,624,481 ●	X From	30	100.0000 % X	4 %	=	276	104,979 ●
				If negative, enter zero			Ontario Allocation				
Subtract: Foreign Tax Credit for CMT purposes (Attach Schedule)	- - - - -									277	●
Subtract: Income Tax	- - - - -									From 190	247,531 ●
Net CMT Payable (If negative, enter Nil on Page 17.)	- - - - -									= 280	-142,552 ●

If ☐ 280 is less than zero and you do not have a CMT credit carryover, transfer ☐ 230 from **Page 7 to Income Tax Summary, on Page 17**.

If ☐ 280 is less than zero and you have a CMT credit carryover, complete A & B below.

If ☐ 280 is greater than or equal to zero, transfer ☐ 230 to **Page 17** and transfer ☐ 280 to **Page 17, and to Part 4 of Schedule 101: Continuity of CMT Credit Carryovers**.

CMT Credit Carryover available	From Schedule 101	- - - - -	From	2333	12,197 ●
---------------------------------------	-------------------	-----------	------	------	----------

Application of CMT Credit Carryovers

A.	Income Tax (before deduction of specified credits)	- - - - -	+	From 190	247,531 ●
	Gross CMT Payable	- - - - -	+	From 276	104,979 ●
	Subtract: Foreign Tax Credit for CMT purposes	- - - - -	-	From 277	●
	If <input type="checkbox"/> 276 - <input type="checkbox"/> 277 is negative, enter NIL in <input type="checkbox"/> 290	- - - - -	=		104,979 ●
	Income Tax eligible for CMT Credit	- - - - -	=	300	142,552 ●
B.	Income Tax (after deduction of specified credits)	- - - - -	+	From 230	247,531 ●
	Subtract: CMT credit used to reduce income taxes	- - - - -	-	310	12,197 ●
	Income Tax	- - - - -	=	320	235,334 ●

Transfer to page 17

If **A & B** apply, ☐ 310 cannot exceed the lesser of ☐ 230, ☐ 300 and your CMT credit carryover available ☐ 2333.

If **only B** applies, ☐ 310 cannot exceed the lesser of ☐ 230 and your CMT credit carryover available ☐ 2333.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2006-12-31

DOLLARS ONLY

Capital Tax (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both \$3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be

adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

Paid-up Capital of Non-resident: Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose business is not carried on solely in Canada is deemed to be the greater of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+	350	12,953,180 ●
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	±	351	1,214,220 ●
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+	352	630,158 ●
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+	353	14,652,792 ●
Bank loans (Int.B. 3013R)	- - - - -	+	354	●
Bankers acceptances (Int.B. 3013R)	- - - - -	+	355	●
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+	356	●
Mortgages payable (Int.B. 3013R)	- - - - -	+	357	●
Lien notes payable (Int.B. 3013R)	- - - - -	+	358	●

Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+	359	3,319,504 ●
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+	360	●
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+	361	●
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+	362	●
Subtotal	- - - - -	=	370	32,769,854 ●

Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	-	371	2,514,859 ●
---	-----------	---	-----	-------------

Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	-	372	●
--	-----------	---	-----	---

Total Paid-up Capital	- - - - -	=	380	30,254,995 ●
------------------------------	-----------	---	-----	--------------

Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	-	381	●
--	-----------	---	-----	---

Electrical Generating Corporations Only – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation

	- - - - -	-	382	●
Net Paid-up Capital	- - - - -	=	390	30,254,995 ●

Eligible Investments (Refer to Guide and Int.B. 3015R)

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	- - - - -	+	402	●
Mortgages due from other corporations	- - - - -	+	403	●
Shares in other corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+	404	35,188 ●
Loans and advances to unrelated corporations	- - - - -	+	405	10,488 ●
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+	406	42,288 ●
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	- - - - -	+	407	●

Total Eligible Investments	- - - - -	=	410	87,964 ●
-----------------------------------	-----------	---	-----	----------

continued on Page 10

Total Assets (Int.B. 3015R)**DOLLARS ONLY**

Total Assets per balance sheet	- - - - -	+	420	35,769,397	●
Mortgages or other liabilities deducted from assets	- - - - -	+	421		●
Share of partnership(s)/joint venture(s) total assets (<i>Attach schedule</i>)	- - - - -	+	422		●
Subtract: Investment in partnership(s)/joint venture(s)	- - - - -	-	423		●
Total Assets as adjusted	- - - - -	=	430	35,769,397	●
Amounts in 360 and 361 (if deducted from assets)	- - - - -	+	440		●
Subtract: Amounts in 371, 372 and 381	- - - - -	-	441	2,514,859	●
Subtract: Appraisal surplus if booked	- - - - -	-	442		●
Add or Subtract: Other adjustments (specify on an attached schedule)	- - - - -	±	443		●
Total Assets	- - - - -	=	450	33,254,538	●

Investment Allowance (410 ÷ 450) × 390	- - - - -	Not to exceed 410	=	460	80,030	●
Taxable Capital 390 - 460	- - - - -		=	470	30,174,965	●

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	- - -	480	44,378,853	●
Total Assets (as adjusted)	- - - - -	From 430	35,769,397	●

Calculation of Capital Tax for all Corporations except Financial Institutions**Note:** This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004.

Financial Institutions use calculations on page 13.

Important:

- If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.
- OR** If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C on page 11, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.
- OR** If the corporation **is** a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018).

Enter NIL in 550 on page 12 and complete the return from that point.

SECTION B**B1. Calculation of Taxable Capital Deduction (TCD)**

		Number of Days in Taxation Year			
		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	×	36	÷ 73 365	= +	501
10,000,000	×	37	÷ 73 365	= +	502 10,000,000
12,500,000	×	38	÷ 73 365	= +	504
15,000,000	×	39	÷ 73 365	= +	505
Taxable Capital Deduction (TCD)		501 + 502 + 504 + 505		=	503 10,000,000

B2. This section applies to corporations to calculate the prorated capital tax rate.**Calculation of Capital Tax Rate**

		Number of Days in Taxation Year			
		Days before Jan. 1, 2007	Total Days		
0.3 %	×	556	÷ 73 365	= +	511 0.3000 %
0.285 %	×	557	÷ 73 365	= +	512
Capital Tax Rate		511 + 512	- - - - -	=	516 0.3000 %

continued on Page 11

Capital Tax Calculation *continued from Page 10*

SECTION C

This section applies if the corporation is **not** a member of an associated group and/or partnership.

C1. If and on page 10 are both \$3,000,000 or less, enter NIL in on page 12 and complete the return from that point.

C2. If Taxable Capital in is **equal to or less than the TCD** in , enter NIL in on page 12 and complete the return from that point.

C3. If Taxable Capital in **exceeds the TCD** in , complete the following calculation and transfer the amount from to on page 12, and complete the return from that point.

+	From <input type="text" value="470"/>	•																			
-	From <input type="text" value="503"/>	•																			
=	<input type="text" value="471"/>	•				x	From <input type="text" value="30"/>	<input type="text" value="100.0000"/>	%	x	From <input type="text" value="516"/>	<input type="text" value="0.3000"/>	%	x	<input type="text" value="555"/>	<input type="text" value="365"/>		=	+	<input type="text" value="523"/>	•

Ontario Allocation Capital Tax Rate Days in taxation year
 365 (366 if leap year) Transfer to on page 12 and
 If floating taxation year, complete the return from that point
 refer to Guide.

SECTION D

This section applies **ONLY** to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either or and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1. ☐ (X if applicable) All corporations that you are associated with do **not** have a permanent establishment in Canada.

If Taxable Capital on page 10 is equal to or less than the TCD on page 10, enter NIL in on page 12 and complete the return from that point.

If Taxable Capital on page 10 exceeds the TCD on page 10, proceed to **Section E**, enter the TCD amount in in Section E, and complete Section E and the return from that point.

D2. ☒ (X if applicable) One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

D2. Calculation is on next page

continued on Page 12

D2. Calculation Do not complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 - - - - - + From 470 30,174,965 ●

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada
(if insufficient space, attach schedule)

Ontario Corporations Tax
Account No. (MOF)
(if applicable)

Taxation Year End

Taxable Capital

See schedule	+ 531	1,375,696 ●
--------------	-------	-------------

+ 532 •

+ 533 •

Aggregate Taxable Capital	470 + 531 + 532 + 533 , etc.	- - - - -	= 540	31,550,661 ●
---------------------------	------------------------------	-----------	-------	--------------

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in 523 in section E below, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

From 30,174,965 ● ÷ From 31,550,661 ● X From 10,000,000 ● = 9,563,972 ●

Transfer to 542 in Section E below

Ss.69(2.1) Election Filed

591 (X if applicable)

Election filed. *Attach a copy of Schedule 591 with this CT23 Return.*
Proceed to **Section F** below.

SECTION E

This section applies if the corporation **is** a member of an associated group and/or partnership whose total **aggregate**

Taxable Capital 540 above, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from to , and complete the return from that point.

	+ From	470	30,174,965 ●									Total Capital Tax for the taxation year
	-	542	9,563,972 ●									
=		471	20,610,993 ●	x From	30	100.0000 %	x From	516	0.3000 %	x	555 365	= + 523 61,833 ●

Transfer to **543** and complete the return from that point

SECTION F

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

$$+ \text{ From } 470 \times \text{ From } 30 \text{ Ontario Allocation } 100.0000 \% \times \text{ From } 516 \text{ Capital Tax Rate } 0.3000 \% - - - - - = + 561$$

— Capital tax deduction from 995 relating to **your corporation's** Capital Tax deduction, on Schedule 591 - - — From 995 ●
= 562 ●

Total Capital Tax for the taxation year

$$\text{Capital Tax} \quad - \quad - \quad - \quad - \quad - \quad - \quad - \quad - \quad \boxed{562} \quad \text{_____} \quad \bullet \quad \times \quad \begin{array}{c} \text{Days in taxation year} \\ \boxed{555} \quad \underline{365} \quad - \quad - \quad - \quad - \quad - \\ * \quad 365 \quad (366 \text{ if leap year}) \end{array} = \boxed{563} \quad \text{_____} \quad \bullet$$

the taxation year

Transfer to 543 and complete

Transfer to 543 and complete
the return from that point

* If floating taxation year, refer to Guide.

Capital Tax	before application of specified credits	- - - - - = 543	61,833 ●
--------------------	---	-----------------	----------

Subtract: Specified Tax Credits applied to reduce capital tax payable (Refer to Guide)	- - - - -	- 546	
--	-----------	-------	--

Capital Tax 543 - 546 (*amount cannot be negative*) - - - - - - - - - - - - - - - - = 550 61,833 ●

Transfer to Page 17

continued on Page 13

Capital Tax *continued from Page 12*

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

For taxation years commencing **after May 4, 1999** enter NIL in 550 on page 12, and complete the return from that point.

1.2 Other than Credit Unions

(Retain details of calculations for amounts in boxes **565** and **570**. Do not submit with this tax return.)

565 ☐ x 567 % x From 30 100.0000 % x 555 365 - - - - = + 569 ☐

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1

Capital Tax Rate (1)
(Refer to Guide)

Ontario Allocation * 365 (366 if leap year)

$$\begin{array}{ccccccc} \boxed{570} & \times & \boxed{571} \% & \times & \text{From } \boxed{30} | \boxed{100.0000} \% & \times & \frac{\boxed{555}}{365} - - - = + \boxed{574} \\ \text{Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount} & & \text{Capital Tax Rate (2)} & & \text{Ontario Allocation} & * & \text{Days in taxation year} \\ & & (\text{Refer to Guide}) & & & & (366 \text{ if leap year}) \end{array}$$

Capital Tax for Financial Institutions – other than Credit Unions (before Section 2) 569 + 574 - = 575

* If floating taxation year, refer to Guide.

2. Small Business Investment Tax Credit

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments - - - - - 585

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X) ☐ Yes

Capital Tax - Financial Institutions 575 — 585 - - - - - = 586
Transfer to 543 on Page 12

Premium Tax (s.74.2 & 74.3) *(Refer to Guide)*

(1) Uninsured Benefits Arrangements	- - - - -	587		x	2 %	- -	=	588	
-------------------------------------	-----------	-----	--	---	-----	-----	---	-----	--

Applies to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in .)

Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

Deduct: Specified Tax Credits applied to reduce premium tax (*Refer to Guide*) - - - - - 589

Premium Tax 588 – 589 - = 590 ●

Transfer to page 17

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1

- - - - - ± **600** 2,157,587 ●
Transfer to Page 15

Add:

Federal capital cost allowance	- - - - -	+	601	1,311,912 ●
Federal cumulative eligible capital deduction	- - - - -	+	602	142,124 ●
Ontario taxable capital gain	- - - - -	+	603	●
Federal non-allowable reserves. Balance beginning of year	- - - - -	+	604	2,041,529 ●
Federal allowable reserves. Balance end of year	- - - - -	+	605	583,673 ●
Ontario non-allowable reserves. Balance end of year	- - - - -	+	606	3,415,972 ●
Ontario allowable reserves. Balance beginning of year	- - - - -	+	607	994,804 ●
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	- - - - -	+	608	●
Federal resource allowance (Refer to Guide)	- - - - -	+	609	●
Federal depletion allowance	- - - - -	+	610	●
Federal foreign exploration and development expenses	- - - - -	+	611	●
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	- - - - -	+	617	●
Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼				

Number of Days in Taxation Year

$$\text{Days after Dec. 31, 2002 and before Jan. 1, 2004} \quad \text{Total Days}$$

$$\text{612} \times 5 / 12.5 \times \text{33} \div \text{73} \text{ 365} = + \text{633} \quad \bullet$$

$$\text{Days after Dec. 31, 2003} \quad \text{Total Days}$$

$$\text{612} \times 5 / 14 \times \text{34} \div \text{73} \text{ 365} = + \text{634} \quad \bullet$$

Total add-back amount for Management fees, etc. **633** + **634** = ● + **613** ●

Federal Scientific Research Expenses claimed in year from line **460** of fed. form T661
excluding any negative amount in **473** from Ont. CT23 Schedule 161 - - - - - + **615** ●

Add any negative amount in **473** from Ont. CT23 Schedule 161 - - - - - + **616** ●

Federal allowable business investment loss - - - - - + **620** ●

Total of other items not allowed by Ontario but allowed federally (Attach schedule) - - - - - + **614** ●

Total of Additions **601** to **611** + **617** + **613** + **615** + **616** + **620** + **614** - - - = 8,490,014 ● ▶ **640** 8,490,014 ●
Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	- - - - -	+	650	1,311,912 ●
Ontario cumulative eligible capital deduction	- - - - -	+	651	142,124 ●
Federal taxable capital gain	- - - - -	+	652	●
Ontario non-allowable reserves. Balance beginning of year	- - - - -	+	653	2,041,529 ●
Ontario allowable reserves. Balance end of year	- - - - -	+	654	583,673 ●
Federal non-allowable reserves. Balance end of year	- - - - -	+	655	3,415,972 ●
Federal allowable reserves. Balance beginning of year	- - - - -	+	656	994,804 ●
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	- - - - -	+	657	●
Ontario depletion allowance	- - - - -	+	658	●
Ontario resource allowance (Refer to Guide)	- - - - -	+	659	●
Ontario current cost adjustment (Attach schedule)	- - - - -	+	661	●
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	- - - - -	+	675	●

Subtotal of deductions for this page **650** to **659** + **661** + **675** - - - - - **681** 8,490,014 ●
Transfer to Page 15

continued on Page 15

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1	- - - - -	From ±	600	2,157,587 ●
Total of Additions on page 14	- - - - -	From =	640	8,490,014 ●
Sub Total of deductions on page 14	- - - - -	From =	681	8,490,014 ●

Deduct:

Ontario New Technology Tax Incentive (ONTTI) Gross-up

(Applies only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year

- - - 662 ●

ONTTI Gross-up deduction calculation:

$$\begin{array}{l}
 \text{Gross-up of CCA} \\
 \left[\begin{array}{l} \text{From } 662 \text{ } \bullet \times \\ \text{From } 30 \text{ } 100.0000 \end{array} \right] \times \frac{100}{100.0000} - \text{From } 662 \text{ } \bullet = 663 \text{ } \bullet
 \end{array}$$

Ontario Allocation

Workplace Child Care Tax Incentive (WCCT)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 665 \text{ } \bullet \times 30 \% \times \frac{100}{100.0000} = 666 \text{ } \bullet \\
 \text{From } 30 \text{ } 100.0000 \\
 \text{Ontario allocation}
 \end{array}$$

Workplace Accessibility Tax Incentive (WATI)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 667 \text{ } \bullet \times 100 \% \times \frac{100}{100.0000} = 668 \text{ } \bullet \\
 \text{From } 30 \text{ } 100.0000 \\
 \text{Ontario allocation}
 \end{array}$$

Number of Employees accommodated

669

Ontario School Bus Safety Tax Incentive (OSBSTI)

(Applies to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) (Refer to Guide)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 670 \text{ } \bullet \times 30 \% \times \frac{100}{100.0000} = 671 \text{ } \bullet \\
 \text{From } 30 \text{ } 100.0000 \\
 \text{Ontario allocation}
 \end{array}$$

Educational Technology Tax Incentive (ETTI)

(Applies to eligible expenditures incurred prior to January 1, 2005.)

$$\begin{array}{l}
 \text{Qualifying expenditures: } 672 \text{ } \bullet \times 15 \% \times \frac{100}{100.0000} = 673 \text{ } \bullet \\
 \text{From } 30 \text{ } 100.0000 \\
 \text{Ontario allocation}
 \end{array}$$

Ontario allowable business investment loss

+ 678 ●

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161

+ 679 ●

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003)

+ 677 ●

Total of other deductions allowed by Ontario (Attach schedule)

+ 664 ●

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 8,490,014 ● ▶ 680 8,490,014 ●

Net income (loss) for Ontario Purposes 600 + 640 - 680 = 690 2,157,587 ●

Transfer to Page 4

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
Balance at Beginning of Year	700 (2) 385,772	710 (2)	720 (2)	730	740	750
Add:						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
Subtotal	703	713	723	733	743	753
Subtract:						
Utilized during the year to reduce taxable income	704 (2) 385,772	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
Subtotal	707 385,772	717	727	737	747	757
Balance at End of Year	709 (8)	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1997-12-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1998-12-31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 1999-12-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2000-12-31	820	830	840	853	873
804 5th preceding taxation year 2001-12-31	821	831	841	854	874
805 4th preceding taxation year 2002-12-31	822	832	842	855	875
806 3rd preceding taxation year 2003-12-31	823	833	843	856	876
807 2nd preceding taxation year 2004-12-31	824	834	844	857	877
808 1st preceding taxation year 2005-12-31	825	835	845	858	878
809 Current taxation year 2006-12-31	826	836	846	859	879
Total	829	839	849	869	889

Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
- (2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.

- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2006-12-31

DOLLARS ONLY

Request for Loss Carry-Back (s.80(16))

Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance**.

- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
 - the first day of the taxation year after the loss year,
 - the day on which the corporation's return for the loss year is delivered to the Minister, or
 - the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF)	901	911	921	931
Taxation Year Ending year month day	2003-12-31	912	922	932
i) 3 rd preceding	902	913	923	933
ii) 2 nd preceding	903	From 706	From 716	From 726
iii) 1 st preceding				From 736
Total loss to be carried back				
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	- - - - - +	From 230 or 320	235,334 ●
Corporate Minimum Tax	- - - - - +	From 280	●
Capital Tax	- - - - - +	From 550	61,833 ●
Premium Tax	- - - - - +	From 590	●
Total Tax Payable	- - - - - =	950	297,167 ●
Subtract: Payments	- - - - - -	960	●
Capital Gains Refund (s.48)	- - - - - -	965	●
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - - -	985	●
Specified Tax Credits (Refer to Guide)	- - - - - -	955	●
Other, specify Alloc from Fed	- - - - - -	-391,098	●
Balance	- - - - - =	970	688,265 ●
If payment due	- - - - - Enclosed *	990	688,265 ●
If overpayment: Refund (Refer to Guide)	- - - - - =	975	●
Apply to	year month day	980	●

(Includes credit interest)

* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. (Refer to Guide for other payment methods.)

Certification

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (please print)

ROSS PEEVER

Title

PRESIDENT

Full Residence Address

Signature

Date

2007-06-18

Note: Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Attached Schedule with Total

Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations

Title Supplement to CT23 line 359

Description	Amount	
Employee Benefits - Current	70,545	00
Employee Benefits - Long-Term	1,416,801	00
Adjustment for recovery of payment in lieu of tax	6,540	00
Other reserves	1,825,618	00
Total	3,319,504	00

Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)

Description

Description	Amount
Regulatory Asset Deductions in Excess of Book	2,898,668 00
Cumulative Book Depreciation (py \$6,065,148 + cy \$1,542,164)	-7,607,312 00
Cumulative CCA claimed (py \$5,037,193 + cy \$1,311,912)	6,349,105 00
Cumulative CEC claimed (py \$732,274 + cy \$142,124)	874,398 00
Total	2,514,859 00

Attached Schedule with Total

Eligible loans and advances to related corporations (certain restrictions apply)

Title		Supplement to CT23 line 406	
Description		Amount	
Due From Related Company		42,288	00
Total		42,288	00

Attached Schedule with Total

Loans and advances to unrelated corporations

Title Supplement to CT23 line 405

Description	Amount	
<u>Eligible advances included in prepaid accounts</u>	<u>10,488</u>	<u>00</u>
Total	10,488	00

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Part 1: Calculation of CMT Base

Banks – Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

Life Insurance corporations – Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d)

Net Income/Loss (unconsolidated, determined in accordance with GAAP) ± 2100 2,018,917.

Subtract (to the extent reflected in net income/loss):

Provision for recovery of income taxes / benefit of current income taxes + 2101
Provision for deferred income taxes (credits) / benefit of future income taxes + 2102
Equity income from corporations + 2103
Share of partnership(s)/joint venture(s) income + 2104
Dividends received/receivable deductible under fed.s.112 + 2105 3,111
Dividends received/receivable deductible under fed.s.113 + 2106
Dividends received/receivable deductible under fed.s.83(2) + 2107
Dividends received/receivable deductible under fed.s.138(6) + 2108
Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1) x 3 + 2109

Subtotal = 3,111 ▶ - 2110 3,111.

Add (to extent reflected in net income/loss):

Provision for current taxes / cost of current income taxes + 2111 608,675
Provision for deferred income taxes (debits) / cost of future income taxes + 2112
Equity losses from corporations + 2113
Share of partnership(s)/joint venture(s) losses + 2114
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1)) ... + 2115

Subtotal = 608,675 ▶ + 2116 608,675.

Add/Subtract:

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years

** Fed.s.85 + 2117 or - 2118
** Fed.s.85.1 + 2119 or - 2120
** Fed.s.97 + 2121 or - 2122
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years + 2123 or - 2124
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years + 2125 or - 2126
** Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years ... + 2127 or - 2128

Interest allowable under ss.20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income - 2150

Capital gains on eligible donations of publicly-listed securities and ecologically sensitive land made after May 1, 2006 (to the extent reflected in net income/loss) - 2155

Subtotal (Additions) = ▶ + 2129

Subtotal (Subtractions) = ▶ - 2130

** Other adjustments ± 2131

Subtotal ± 2100 - 2110 + 2116 + 2129 - 2130 ± 2131 = 2132 2,624,481.

** Share of partnership(s)/joint venture(s) **adjusted** net income/loss ± 2133

Adjusted net income (loss) (if loss, transfer to 2202 in **Part 2: Continuity of CMT Losses Carried Forward.**) = 2134 2,624,481.

Deduct: * CMT losses: pre-1994 Loss + From 2210

* CMT losses: other eligible losses + 2211

= ▶ - 2135

* CMT losses applied cannot exceed adjusted net income or increase a loss

** Retain calculations. Do not submit with this schedule.

CMT Base = 2136 2,624,481.

Transfer to CMT Base on Page 8 of the CT23 or Page 6 of the CT8

CT23 Schedule 101

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2006-12-31
---	---	---------------------------------

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTES (1), (2)	.....	+	2201		●
Add:					
Current year's losses	.....	+	2202		●
Losses from predecessor corporations on amalgamation NOTE (3)	.....	+	2203		●
Losses from predecessor corporations on wind-up NOTE (3)	.....	+	2204		●
Amalgamation (X) 2205 <input type="checkbox"/> Yes Wind-up (X) 2206 <input type="checkbox"/> Yes					
Subtotal =				●
Adjustments (attach schedule)	.....	±	2208		●
CMT losses available	2201 + 2207 ± 2208				●
Subtract:					
Pre-1994 loss utilized during the year to reduce adjusted net income	.....	+	2210		●
Other eligible losses utilized during the year to reduce adjusted net income NOTE (4)	.....	+	2211		●
Losses expired during the year	.....	+	2212		●
Subtotal =				●
Balances at End of Year NOTE (5)	2209 - 2213				●
					●

Notes:

- (1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.
- (2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and a 57.5(7))
- (3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9))
- (4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.
- (5) Amount in 2214 must equal sum of 2270 + 2290.

Part 3: Analysis of CMT Losses Year End Balance by Year of Origin

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	9th preceding taxation year 1997-12-31	2260	2280
2241	8th preceding taxation year 1998-12-31	2261	2281
2242	7th preceding taxation year 1999-12-31	2262	2282
2243	6th preceding taxation year 2000-12-31	2263	2283
2244	5th preceding taxation year 2001-12-31	2264	2284
2245	4th preceding taxation year 2002-12-31	2265	2285
2246	3rd preceding taxation year 2003-12-31	2266	2286
2247	2nd preceding taxation year 2004-12-31	2267	2287
2248	1st preceding taxation year 2005-12-31	2268	2288
2249	Current taxation year 2006-12-31	2269	2289
Totals		2270	2290

The sum of amounts 2270 + 2290
must equal amount in 2214.

**Corporate Minimum Tax (CMT)
CT23 Schedule 101****Page 3 of 3**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2006-12-31
---	---	---------------------------------

Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) + [2301] 12,197

Add: Current year's CMT Credit ([280] on page 8 of the CT23
or [347] on page 6 of the CT8. If negative, enter NIL) + From [280] or [347]
Gross Special Additional Tax NOTE (2) [312] on page 5 of CT8.
(Life Insurance corporations only.
Others enter NIL.) + From [312]
Subtract Income Tax
([190] on page 6 of the CT23 or
page 4 of the CT8) - From [190]
Subtotal (If negative, enter NIL) ... = - [2305]
Current year's CMT credit (If negative, enter NIL) [280] or [347] - [2305] ... = + [2310]
CMT Credit Carryovers from predecessor corporations NOTE (3) + [2325]
Amalgamation (X) [2315] ☐ Yes Wind-up (X) [2320] ☐ Yes
Subtotal [2301] + [2310] + [2325] = [2330] 12,197
Adjustments (Attach schedule) ± [2332]
CMT Credit Carryover available [2330] ± [2332] = [2333] 12,197
Transfer to Page 8 of the CT23 or Page 6 of the CT8

Subtract: CMT Credit utilized during the year to reduce income tax
([310] on page 8 of the CT23 or [351] on page 6 of the CT8.) + From [310] or [351] 12,197
CMT Credit expired during the year + [2334]
Subtotal = 12,197 - [2335] 12,197
Balance at End of Year NOTE (4) [2333] - [2335] = [2336]

Notes:

- (1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))
(2) The CMT credit of life insurance corporations can be restricted (see s.43.1(3)(b)).
(3) Include and indicate whether CMT credits are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.43.1(4))
(4) Amount in [2336] must equal sum of [2370] + [2390] .

Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
[2340]	9th preceding taxation year 1997-12-31	[2360]	[2380]
[2341]	8th preceding taxation year 1998-12-31	[2361]	[2381]
[2342]	7th preceding taxation year 1999-12-31	[2362]	[2382]
[2343]	6th preceding taxation year 2000-12-31	[2363]	[2383]
[2344]	5th preceding taxation year 2001-12-31	[2364]	[2384]
[2345]	4th preceding taxation year 2002-12-31	[2365]	[2385]
[2346]	3rd preceding taxation year 2003-12-31	[2366]	[2386]
[2347]	2nd preceding taxation year 2004-12-31	[2367]	[2387]
[2348]	1st preceding taxation year 2005-12-31	[2368]	[2388]
[2349]	Current taxation year 2006-12-31	[2369]	[2389]
Totals		[2370]	[2390]

The sum of amounts [2370] + [2390]
must equal amount in [2336] .

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2006-12-31
---	---	---------------------------------

CMT Losses Carried Forward Workchart

(i) Continuity of Pre-1994 CMT Losses

	Corporation's Pre-1994 Loss	Predecessors' Pre-1994 Loss Amalgamation	Predecessors' Pre-1994 Loss Wind-Up
Date of the last tax year end before the corp's 1st tax year commencing after 1993			
Pre-1994 Loss (per schedule)			
Less: Claimed in prior taxation years commencing after 1993			
Pre-1994 Loss available for the current year			
Less: Deducted in the current year			
(max. = adj. net income for the year)			
Expired after 10 years			
Pre-1994 Loss Carryforward			

(ii) Continuity of Other Eligible CMT Losses – Filing Corporation
(for losses occurring in tax years commencing after 1993)

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1996-12-31					
9th Prior Year	1997-12-31					
8th Prior Year	1998-12-31					
7th Prior Year	1999-12-31					
6th Prior Year	2000-12-31					
5th Prior Year	2001-12-31					
4th Prior Year	2002-12-31					
3rd Prior Year	2003-12-31					
2nd Prior Year	2004-12-31					
1st Prior Year	2005-12-31					
Total						

Predecessor Corporations Only – Amalgamation

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

CMT Losses Carried Forward Workchart (continued)

Predecessor Corporations Only – Wind-Up

Indicate the amounts of eligible CMT losses from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
Total						

Corporate Minimum Tax (CMT)
CT23 Schedule 101 – Supporting Schedule

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

CMT Credit Carryovers Workchart

Filing Corporation

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1996-12-31					
9th Prior Year	1997-12-31					
8th Prior Year	1998-12-31					
7th Prior Year	1999-12-31					
6th Prior Year	2000-12-31					
5th Prior Year	2001-12-31					
4th Prior Year	2002-12-31					
3rd Prior Year	2003-12-31					
2nd Prior Year	2004-12-31	10,206		10,206		
1st Prior Year	2005-12-31	1,991		1,991		
	Total	12,197		12,197		

Predecessor Corporations Only – Amalgamation

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
Total						

Predecessor Corporations Only – Wind-Up

Indicate the amounts of CMT credit carryovers from predecessor corporations. **Do not include** these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-12-31						
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
Total						



Ministry of Finance

Corporations Tax

33 King Stre
PO Box 620

Oshawa ON L1H 8E9

Surtax on Canadian-Controlled Private Corporations

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

[illegible]



Ministry of Finance

Corporations Tax

33 King Street
PO Box 620

Oshawa ON L1H 8E9

Paid-Up Capital: Loans and Advances

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Loans or Advances Credited or Advanced to Corporation

(includes accounts payable to related parties outstanding at the taxation year end for 120 days or more, and accounts payable to non-related parties outstanding for 365 days or more at the taxation year end)

Note Payable	+	13,499,953
LT customer deposits	+	451,850
Current customer deposits	+	700,989
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
Total		
Transfer to 353 of the CT23		= 14,652,792



Ontario

Ministry of Finance
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

- For use by a corporation to claim any of the following:
 - Charitable donations;
 - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
 - Gifts to Canada or a province;
 - Gifts of certified cultural property; or
 - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- For donations and gifts made after March 22, 2004, subsection 34(1.1) of the *Corporations Tax Act* parallels subsection 110.1(1.2) of the *Income Tax Act* and provides as follows:
 - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by a particular corporation to a qualified donee before the change of control;
 - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your CT23.

Part 1 – Charitable Donations

Charitable Donations at end of preceding taxation year	.....	+		A
Deduct: Donations expired after 5 taxation years	.....	–		B
Charitable donations at beginning of taxation year	.....	=		C
Add: Donations transferred on amalgamation or wind-up of subsidiary	.....	+		D
Total current year charitable donations made	.....	+	625	E
Subtotal D + E	.....	=	625	F
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	.....	–		G
Total donations available C + F – G	.....	=	625	H
Deduct: Amount applied against taxable income (amount U, Part 2)	.....	–	625	U
Charitable donations closing balance	.....	=		I

Part 2 – Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75%	.....	=	1,618,190	J
Note: For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.				
Ontario taxable capital gains arising in respect of gifts of capital property	.....	+		K
Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA	.....	+		L
Add the lesser of:				
1. The amount of the recapture of capital cost allowance in respect of charitable gifts	.....			M
2. The lesser of:				
2a. Proceeds of dispositions less outlays and expenses	.....			N
2b. The capital cost	.....			O
The lesser of N and O	.....	▶		P
The lesser of M and P	.....	▶		Q
Subtotal K + L + Q	.....	=		R
25% X	.....			S
Maximum deduction allowable J + S	.....	=	1,618,190	T
Claim for charitable donations (not exceeding the lesser of H from Part 1, T and net income for tax purposes)	.....		625	U

Enter in 1 of the CT23

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2006-12-31
---	---	---------------------------------

Part 3 – Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at end of the preceding taxation year +	
Deduct: Gifts expired after 5 years -	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year =	
Add: Gifts transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts +	
Subtotal =	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004) -	
Total gifts available =	
Deduct: Amount applied against taxable income <input type="text" value="2"/> of the CT23 -	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance =	

Foundation Name	Date of Donation	Amount \$

Total gifts to Her Majesty in right of Ontario =

Part 4 – Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario	<input type="text" value="2,156,962"/> V
2. Lesser of:		
2a. Ontario Net Income for the taxation year <input type="text" value="2,157,587"/> W	
2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation <input type="text" value="X"/> X	
The lesser of W and X	<input type="text"/> Y
Maximum deduction allowable the lesser of V and Y	<input type="text"/> Z

Transfer to of the CT23

Part 5 – Gifts to Canada or a province other than Ontario

Gifts to Canada or a province other than Ontario at the end of the preceding year +	
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years -	
Gifts to Canada or a province other than Ontario at the beginning of the taxation year =	
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary +	
Total current year Gifts to Canada or a province other than Ontario (Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date.) +	
Subtotal =	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004) -	
Total gifts to Canada or a province other than Ontario available =	
Deduct: Amount applied against taxable income -	
Gifts to Canada or a province other than Ontario closing balance =	

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2006-12-31
---	---	---------------------------------

Part 6 – Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year +	
Deduct: Gifts of certified cultural property expired after five years -	
Gifts of certified cultural property at the beginning of the taxation year =	
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts of certified cultural property +	
Subtotal =	▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004) -	
Total gifts of certified cultural property available =	
Deduct: Amount applied against taxable income -	
Gifts of certified cultural property closing balance =	

Part 7 – Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year +	
Deduct: Gifts of certified ecologically sensitive land expired after five years -	
Gifts of certified ecologically sensitive land at the beginning of the taxation year =	
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary +	
Total current year gifts of certified ecologically sensitive land +	
Subtotal =	▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004) -	
Total gifts of certified ecologically sensitive land available =	
Deduct: Amount applied against taxable income -	
Gifts of certified ecologically sensitive land closing balance =	

Part 8 – Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2005-12-31					
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
2000-12-31					
Totals					

Non-Capital Loss Continuity Workchart – Ontario

Non-capital losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2005		N/A		N/A		
2004		N/A		N/A		
2003	385,772	N/A		N/A	385,772	
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		*
Total	385,772				385,772	

Farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2005		N/A		N/A		
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		*
Total						

Restricted farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2005		N/A		N/A		
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		*
Total						

* This balance expires this year and will not be available next year.



Ontario

Ministry of Finance

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Capital Cost Allowance Schedule 8

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Is the corporation electing under regulation 1101(5q)? 1 ☐ Yes 2 ☒ No

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	2,554,603	146,424		0	2,701,027	73,212	2,627,815	4	0	0	105,113	2,595,914
1	5,106,784			0	5,106,784		5,106,784	4	0	0	204,271	4,902,513
1	9,886,935			0	9,886,935		9,886,935	4	0	0	395,477	9,491,458
1	3,151,416			24,672	3,126,744		3,126,744	4	0	0	125,070	3,001,674
1	1,411,542			0	1,411,542		1,411,542	4	0	0	56,462	1,355,080
8	208,551	135,369		0	343,920	67,685	276,235	20	0	0	55,247	288,673
10	292,775	55,655		0	348,430	27,828	320,602	30	0	0	96,181	252,249
12	45,256	143,825		0	189,081		189,081	100	0	0	189,081	
45	35,126	13,527		0	48,653	6,764	41,889	45	0	0	18,850	29,803
47		1,653,996		0	1,653,996	826,998	826,998	8	0	0	66,160	1,587,836
Totals	22,692,988	2,148,796		24,672	24,817,112	1,002,487	23,814,625				1,311,912	23,505,200

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act*(Canada).

Enter in boxes on the CT23.

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.



Ontario

Ministry of Finance
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Cumulative Eligible Capital Deduction Schedule 10 Page 1 of 2

For taxation years 2002 and later

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

- For use by a corporation that has eligible capital property.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Ontario Cumulative eligible capital – balance at end of preceding taxation year (if negative, enter zero) = + 2,030,344 **A**

Add: Cost of eligible capital property acquired during the taxation year + **B**

Other adjustments + **C**

B + C = **D** x 3 / 4 = **D**

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002 x 1 / 2 = - **E**

D minus E (if negative, enter zero) = **F**

Amount transferred on amalgamation or wind-up of subsidiary + **G**

Subtotal A + F + G = 2,030,344 **H**

Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year + **I**

The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the *Income Tax Act*(Canada) + **J**

Other adjustments + **K**

I + J + K = **L** x 3 / 4 = - **L**

Ontario cumulative eligible capital balance H minus L = 2,030,344 **M**

If **M** is negative, enter zero at line **Q** and proceed to **Part 2**, page 2.

Cumulative eligible capital for a property no longer owned after ceasing to carry on that business **N**

From **M** 2,030,344

From **N** -

Current year deduction M minus N = 2,030,344 x 7 % = + 142,124 **O**

N + O = 142,124 **P**

Note: The maximum current year deduction is 7%. Any amount up to the maximum deduction of 7% may be claimed.
For taxation years starting after December 21, 2000, the deduction may not exceed the maximum amount prorated for the number of days in the taxation year divided by 365 or 366 days.

Enter amount in box
651 of the CT23

Ontario cumulative eligible capital - closing balance M minus P (if negative, enter zero) = 1,888,220 **Q**




See page 2 - Part 2

Ontario Cumulative Eligible Capital Deduction
Schedule 10 Page 2 of 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Part 2 – Amount to be included in income arising from disposition

Complete this part only if the amount at line M is negative.

Amount from line M above. <i>Show this as a positive amount; not negative.</i>	.....	_____ R
Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988	..... + _____	1
Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA	..... + _____	2
Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988	..... + _____	3
Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988	..... - _____	4
Deduct line 4 from line 3 (if negative, enter zero)	..... = _____	+ _____ 5
Total lines 1 + 2 + 5	..... = _____	6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 1	.....	7
Amounts at Line Z from Ontario Schedule 10 of previous taxation years ending after February 27, 2000 <i>(This will be Line T in earlier versions of this schedule.)</i>	..... + _____	8
Total lines 7 + 8	..... = _____	- _____ 9
Deduct line 9 from line 6 (if negative, enter zero)	..... = _____	- _____ S
R minus S (if negative, enter zero)	.....	= _____ T
From Line 5 x 1 / 2	.....	= - _____ U
T minus U (if negative, enter zero)	.....	= _____ V
From V x 2 / 3	.....	= _____ W
Lesser of R and S	.....	= + _____ Z
Amount to be included in income W + Z	.....	= _____



Ontario

Ministry of Finance
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Continuity of Reserves Schedule 13

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

For use by a corporation to provide a continuity of all reserves claimed which are allowed for tax purposes.

Part 1 – Capital gains reserves

Description of property	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
1					
Totals	A	B			C

The total capital gains reserve at the beginning of the taxation year **A** plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary **B**, should be entered on Schedule 6; and the total capital gains reserve at the end of the taxation year **C**, should also be entered on Schedule 6.

Part 2 – Other reserves

Description	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
Reserve for doubtful debts	662,873			566,406	96,467
Reserve for undelivered goods and services not rendered	331,931		155,275		487,206
Reserve for prepaid rent					
Reserve for December 31, 1995 income					
Reserve for refundable containers					
Reserve for unpaid amounts					
Other tax reserves					
Totals	D 994,804	E	155,275	566,406	F 583,673

The amount from **D** plus the amount from **E** should be entered in **607** of the CT23.

The amount from **F** should be entered in **654** of the CT23.

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
PILs deferred revenue reserv	-63,426		69,967			6,541
Pension Liability - non-current	1,442,082			25,281		1,416,801
Pension Liability - current			70,545			70,545
See schedule			1,825,618			1,825,618
Reserves from Part 2	662,873			566,406		96,467
Totals	2,041,529		1,966,130	591,687		3,415,972

Enter in box **653** of the CT23

Enter in box **606** of the CT23

Ontario Continuity of Reserves Schedule 13

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
Smart Meter Reserve			40,359			40,359
Conservation Reserve			446,847			446,847
Regulatory Asset Recoveries			1,338,412			1,338,412
Totals			1,825,618			1,825,618



Ministry of Finance

Corporations Tax

33 King St
PO Box 630

Oshawa ON L1H 8E9

Taxable Capital of Associated Corporations

(Applicable to an associated group that

has a permanent establishment in Canada)

Schedule CT21

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WELLAND HYDRO ELECTRIC SYSTEM CORP.	1800215	2006-12-31

This schedule must be completed in determining the aggregate taxable capital of an associated group and/or partnership that has a permanent establishment (PE) in Canada.

Name of Associated Corporation (Must have a PE in Canada)	Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
WELLAND HYDRO-ELECTRIC HOLDING CORP.	1800213	2006-12-31	+ 1,315,147
WELLAND HYDRO ENERGY SERVICES CORP.	1800214	2006-12-31	+ 22,055
City of Welland		2006-12-31	+
Welland WiFi Corp.		2006-12-31	+ 38,494
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
Aggregate of taxable capital			= 1,375,696

Transfer to box 540 of the CT23

Welland Hydro-Electric System Corp.

2006 Notice of Assessment

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2006/01/01 to 2006/12/31

Account No.	Assessment Date (year, month, day)	Page
1800215	2007/08/09	1 of 1

ELLAND HYDRO-ELECTRIC SYSTEM CORP.

ASSESSMENT NO. 131

Tax: Federal and Provincial PIL
Assessment Interest
Total Assessment Liability

688,265.00
15,204.21
703,469.21

SUMMARY OF 2006/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

688,265.00CR

Sub-Total

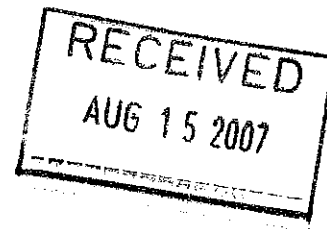
688,265.00CR
15,204.21

TAXATION YEAR BALANCE DUE **

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Total tax assessed as per company estimate

**Remember to include additional interest due with your payment. Interest on the balance is compounded daily from the date of this Notice/Statement until payment is received by the Ontario Electricity Financial Corporation (OEFC)
The current interest rate is 0.0246575%.



PURCHASE ORDER # 12407

LEDGER A/C # 603500

8107

CHECKED BY

ENTERED BY

6308

OK
Wayne
\$15,204.21
603-500

Tax (Re)Assessment Enquiries:

- Toronto (416) 730-5585
- FAX (416) 730-5593

Account Billing Enquiries & Change of Address Information:

- Oshawa and Local (905) 433-6708
- Toll-Free 1-800-262-0784 ext. 3036
- Toronto (416) 920-9048 ext. 3036
- FAX (905) 433-5197

0000003

002 PX5003

Notice of Assessments
Provincial 2006

Requisitioned by W.ARMSTRONG
Department FINANCE
P.O. Prepared by K.BROWN

Authorized by

President & CEO



RECEIVED JUL 31 2007

St. John's NL A1B 3Z1

Page 1 of 4

WELLAND HYDRO-ELECTRIC SYSTEM
CORP
C/O ROSS PEEVER
PO BOX 280
WELLAND ON L3B 5P6

Date of mailing July 27, 2007
Business Number 86375 9692 RC0001
Taxation year-end December 31, 2006

0001718

CORPORATION NOTICE OF ASSESSMENT

RESULTS

This notice explains the results of our assessment of the T2 Corporation Income Tax Return for the taxation year indicated above. It also explains any changes we may have made to the return.

Result of this Assessment :	\$	0.00
Prior balance:	\$	0.00
	=====	
Total balance:	\$	0.00

Please refer to the Summary and Explanation for additional information.

Notice of Assessment
Federal 2006

Welland Hydro-Electric System Corp.

2006 PILs Comparison

WELLAND HYDRO-ELECTRIC SYSTEM CORP. EB-2007-0663
COMPARISON OF 2006 ACTUAL PILS VS 2006 OEB TAX MODEL (2006 RATES)
SUMMARY TAXABLE INCOME

2006 OEB Tax Model - Taxable Income	\$175,566
Lower Non-Taxable Loss Carryforward - 2006	\$347,856
Additional Income from Bad Debt Settlement	\$500,000
Net Income Before Tax Shortfall vs 2006 OEB Tax Model	(\$113,415)
Regulatory Asset Recoveries in Rates - 2006	\$815,645
All Others	<u>\$42,427</u>
2006 Actual Taxable Income	<u><u>\$1,768,079</u></u>

Note:

The 2006 Financial Statements for Welland Hydro-Electric Systems Corp contained significant one time items which effected both Net Income and Taxable Income as follows:

- 1) Reversal of a Regulatory Assets Provison increased Net Income by \$1,161,290.
There was no tax effect resulting from the reversal of the provision to Net Income.
- 2) There was a settlement of a Bad Debt written off in previous years which increased Net Income and Taxable Income by \$500,000.
- 3) Changes in Regulatory Asset Balances resulted in increased Taxable Income.
- 4) Interest Payments to the Shareholder on Long Term Debt were for May 1, 2006 to December 31, 2006 only.

WELLAND HYDRO-ELECTRIC SYSTEM CORP. EB-2007-0663
COMPARISON OF 2006 ACTUAL PILS VS 2006 OEB TAX MODEL (2006 RATES) - DETAIL

	T2 S1 line #	2006 RATE MODEL TAXABLE INCOME	2006 ACTUAL TAXABLE INCOME	Variance	Explanation for Variance
Net Income Before Taxes Before Special Items		\$1,079,717	\$966,302	-\$113,415	Net Income Before Tax Shortfall
Reversal of Regulatory Asset Provision		0	1,161,290	1,161,290	Balance recoverable in 2006 Reg Asset Model
Recovery of Bad Debt - Prior Years		0	500,000	500,000	Not Included in 2006 Rates
Net Income Before Taxes After Special Items		\$1,079,717	\$2,627,592	\$1,547,875	
Additions:					
Interest and penalties on taxes	103		0	0	
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104	1,503,391	1,542,164	38,773	
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106		0	0	
Recapture of capital cost allowance from Schedule 8	107		0	0	
Gain on sale of eligible capital property from Schedule 10	108		0	0	
Income or loss for tax purposes- joint ventures or partnerships	109		0	0	
Loss in equity of subsidiaries and affiliates	110		0	0	
Loss on disposal of assets	111	26,000	0	-26,000	
Charitable donations	112	2,000	625	-1,375	
Taxable Capital Gains	113		0	0	
Political Donations	114		0	0	
Deferred and prepaid expenses	116		0	0	
Scientific research expenditures deducted on financial statements	118		0	0	
Capitalized interest	119		0	0	
Non-deductible club dues and fees	120		0	0	
Non-deductible meals and entertainment expense	121	3,000	6,339	3,339	
Non-deductible automobile expenses	122	0	0	0	
Non-deductible life insurance premiums	123		0	0	
Non-deductible company pension plans	124		0	0	
Tax reserves beginning of year	125	672,871	994,804	321,933	
Reserves from financial statements- balance at end of year	126	110,680	3,415,972	3,305,292	
Soft costs on construction and renovation of buildings	127		0	0	
Book loss on joint ventures or partnerships	205		0	0	
Capital items expensed	206		0	0	
Debt issue expense	208		0	0	
Development expenses claimed in current year	212		0	0	
Financing fees deducted in books	216		0	0	
Gain on settlement of debt	220		0	0	
Non-deductible advertising	226		0	0	
Non-deductible interest	227		0	0	
Non-deductible legal and accounting fees	228		0	0	
Recapture of SR&ED expenditures	231		0	0	
Share issue expense	235		0	0	
Write down of capital property	236		0	0	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237		0	0	
Other Additions: (please explain in detail the nature of the item)				0	
Opening Adjustment for Expenditures included in Regulatory Assets	290		618,265	618,265	
Realized Income from Deferred Credit Accounts	291		0	0	
Pensions	292		0	0	
Non-deductible penalties	293		0	0	
Income from partnership	294	3,653	2,556	-1,097	
Ontario Tax credits	295	321	0	-321	
	296		0	0	
	297		0	0	
Total Additions		2,321,916	6,580,725	4,258,809	

WELLAND HYDRO-ELECTRIC SYSTEM CORP. EB-2007-0663
COMPARISON OF 2006 ACTUAL PILS VS 2006 OEB TAX MODEL (2006 RATES) - DETAIL

	T2 S1 line #	2006 RATE MODEL TAXABLE INCOME	2006 ACTUAL TAXABLE INCOME	Variance	Explanation for Variance
Deductions:					
Gain on disposal of assets per financial statements	401		10,991	10,991	
Dividends not taxable under section 83	402		0	0	
Capital cost allowance from Schedule 8	403	1,081,850	1,311,912	230,062	
Terminal loss from Schedule 8	404		0	0	
Cumulative eligible capital deduction from Schedule 10 CEC	405	155,563	142,124	-13,439	
Allowable business investment loss	406		0	0	
Deferred and prepaid expenses	409		0	0	
Scientific research expenses claimed in year	411		0	0	
Tax reserves end of year	413	617,871	583,673	-34,198	
Reserves from financial statements - balance at beginning of year	414	564,474	2,041,529	1,477,055	
Contributions to deferred income plans	416		0	0	
Book income of joint venture or partnership	305		0	0	
Equity in income from subsidiary or affiliates	306		0	0	
Other deductions: (Please explain in detail the nature of the item)				0	
Closing adj for Expenditures included in Regulatory Asset	390		2,898,668	2,898,668	
Ontario Capital Tax	391		61,833	61,833	
Non-taxable imputed interest income on deferral and variance accounts	392		0	0	
Deductible expenses capitalized for accounting	393	72,682	0	-72,682	
Prior period expense adjustment	394	0	0	0	
Excess Interest (from Tab "Schedule 7-3")	395	0	0	0	Applicable to Test Year only
	396		0	0	
	397		0	0	
Total Deductions		2,492,440	7,050,730	4,558,290	
NET INCOME FOR TAX PURPOSES		909,194	2,167,587	1,248,393	
Charitable donations	311		625	625	
Taxable dividends received under section 112 or 113	320		3,111	3,111	
Non-capital losses of preceding taxation years from Schedule 7-1	331	733,628	385,772	-347,856	
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0	
Limited partnership losses of preceding taxation years from Schedule 4	335		0	0	
TAXABLE INCOME (C/F to tab "Tax Provision)		\$175,566	\$1,768,079	\$1,592,513	

2006 RATE MODEL TAXES PAYABLE	2006 ACTUAL TAXES PAID	Variance
-------------------------------	------------------------	----------

Corporate PILs/Income Tax Payable	\$32,690	\$626,432	(\$593,742)
Ontario Capital Tax Payable	\$57,116	\$61,833	(\$4,717)
LCT payable	\$0	\$0	\$0

Included in Rates			
Corporate PILs/Income Tax (grossed up)	\$40,170	\$40,170	\$0
Ontario Capital Tax (not grossed up)	\$57,116	\$57,116	\$0
LCT	\$0	\$0	\$0

Note: 2006 Corporate PILs/Income Tax Paid includes \$12,197 reduction for minimum tax paid in previous period

Welland Hydro-Electric System Corp.

2006 Return on Equity

Welland Hydro-Electric System Corporation
2006 Return on Equity Comparison
EB-2007-0663

Net Income After Tax (Excluding Reversal of Regulatory Asset Provision)

Net Earnings For Year-Financial Statements	\$2,018,917
Less Reversal of Regulatory Asset Provision	<u>(1,161,290)</u>
Adjusted Net Earnings For Year	\$857,627

2006 Return on Equity - Actual

Share Capital	\$12,953,180
Retained Earnings	<u>1,214,220</u>
Total Equity	\$14,167,400
Return on Equity	6.05%

2006 Return on Equity - Rate Regulated Basis

Net Fixed Assets		\$19,403,986
Cost of Power		\$36,036,510
Expenses -Working Capital		<u>3,585,861</u>
Working Capital	15%	\$39,622,371
		<u>5,943,356</u>
Rate Base		\$25,347,342
Deemed Equity	50%	\$12,673,671
Return on Equity		6.77%