



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 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

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Corporation's Legal Name (including punctuation) Hydro One Brampton Networks Inc.			Ministry Use	
Mailing Address 175 Sandalwood Parkway, West Brampton ON CA L7A-1E8			Ontario Corporations Tax Account No. (MOF) 1800040	
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Change: year month day			This Return covers the Taxation Year Start: year month day 2004-01-01 End: year month day 2004-12-31	
Registered/Head Office Address 175 Sandalwood Parkway, West Brampton ON CA L7A-1E8			Date of Incorporation or Amalgamation year month day 2000-05-01	
Location of Books and Records Sandalwood Parkway, West Brampton ON CA L7A-1E8			Ontario Corporation No. (MCBS) 1414330	
Name of person to contact regarding this CT23 Return TONY PAUL			Canada Customs and Revenue Agency Business No. If applicable, enter 864867635RC0001	
Telephone No. 905-840-6300 Fax No. 905-840-0967			Jurisdiction Incorporated Ontario	
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MCBS) ON CA -			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced: year month day Ceased: year month day	
Former Corporation Name (Extra-Provincial Corporations only) <input checked="" type="checkbox"/> Not Applicable (MCBS)			<input checked="" type="checkbox"/> Not Applicable	
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) 0			Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English anglais <input type="checkbox"/> French français	
If there is no change to the Directors/Officers/Administrators' information previously submitted to MCBS, please <input checked="" type="checkbox"/> this box. Schedule(s) A and K are not required (MCBS). <input checked="" type="checkbox"/> No Change			Ministry use 	

Certification (MCBS)

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

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

TONY PAUL

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.

Hydro One Brampton Networks Inc.

1800040

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CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Type of Corporation – Please "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%

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)

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

Electricity Distribution

Please "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

Was the corporation inactive throughout the taxation year?

Yes No
☐ ☒

Has the corporation's Federal T2 Return been filed with the Canada Customs and Revenue Agency (CCRA)?

☒ ☐

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?

☒ ☐

Income Tax

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).

Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	±	From 690	19,790,883.
Subtract: Charitable donations	-	1	5,075.
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	-	2	0.
Subtract: Taxable dividends deductible, per federal Schedule 3	-	3	0.
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	-	4	0.
Subtract: Federal Part VI.1 tax 0. X 3	-	5	0.
Subtract: Prior years' losses applied - Non-capital losses	-	From 704	0.
Net capital losses (page 16) 0. X inclusion rate 50.000000%	=	714	0.
Farm losses	-	From 724	0.
Restricted farm losses	-	From 734	0.
Limited partnership losses	-	From 754	0.
Taxable Income (Non-capital loss)	=	10	19,785,808.
Addition to taxable income for unused foreign tax deduction for federal purposes	+	11	0.
Adjusted Taxable Income 10 + 11 (if 10 is negative, enter 11)	=	20	19,785,808.

Taxable Income		Number of Days in Taxation Year	
From 10 (or 20 if applicable)	19,785,808. X 30 1.00.0000% X 12.5000% X	Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
	Ontario Allocation	33 0 + 73	366
			= + 29 0.
From 10 (or 20 if applicable)	19,785,808. X 30 1.00.0000% X 14.0000% X	Days after Dec. 31, 2003	Total Days
	Ontario Allocation	34 366 + 73	366
			= + 32 2,770,013.
Income Tax Payable (before deduction of tax credits) 29 + 32		= 40 2,770,013.	

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	0.
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	0.
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52	0.
Subtract: Losses of other years deducted for Ontario purposes (s.34)	- 53	0.
	=	0. 54 0.
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	55	250,000.

Ontario Business Limit Calculation

320,000 X	Days after Dec. 31, 2002 and before Jan. 1, 2004	31 0 + ** 366	= + 46 0.
400,000 X	Days after Dec. 31, 2003	34 366 + ** 366	= + 47 400,000.
Business Limit for Ontario purposes	46 + 47	= 44 400,000.	48 100.0000% = 45 400,000.
Income eligible for the IDSBC	From 30 100.0000% X 56	0. = 60 0.	Least of 50, 54 or 45
*** Ontario Allocation			

* Not Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)

** Not: Adjust accordingly for a floating taxation year and use 366 for a leap year.

*** Not: Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

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Income Tax continued from Page 4

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days		
Calculation of IDSBC Rate	7.00%	31	0	73	366
				89	.0000
	8.50%	34	366	73	366
				90	8.5000
IDSBC Rate for Taxation Year	89 + 90			78	8.5000
Claim	From 60	0.	X	From 78	8.5000%
				70	0.

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 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	19,785,808.
If you are a member of an associated group (X) 81 (Yes)			
Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
			82 0.
			83
			84
Aggregate Taxable Income	80 + 82 + 83 + 84, etc.		85 19,785,808.

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days		
320,000	X	31	0	73	366
				115	0.
400,000	X	34	366	73	366
				116	400,000.
		115 + 116			400,000.
				114	400,000.

(If negative, enter nil) = 86 19,385,808.

		Number of Days in Taxation Year			
		Days after Dec. 31, 2002	Total Days		
Calculation of Specified Rate for Surtax	4.6670%	38	366	73	366
				97	4.6670
	From 86 19,385,808. X	From 97	4.6670%		87 904,736.
	From 87 904,736. X	From 60	0.	From 114	400,000. = 88 0.
Surtax Lesser of	70 or 88				100 0.

* **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.

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Income Tax *continued from Page 5***Additional Deduction for Credit Unions (s.51(4))** (Attach schedule 17)

110 0.

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

120 0.

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

From 56 0.

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 0. + From 30 100.0000% + From 78 8.5000% = 121 0.

Lesser of 56 or 121 + 122 0.

120 - 56 + 122 = 130 0.

Taxable Income

From 10 19,785,808.

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

From 56 0.

Add: Adjustments for Surtax on Canadian-controlled private corporations

From 122 0.

Subtract: Taxable Income 10 19,785,808. X Allocation % to jurisdictions outside Canada .0000%

140 0.

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

141 13,539.

10 - 56 + 122 - 140 - 141 = 142 19,772,269.

Claim**Number of Days in Taxation Year**Days after Dec. 31, 2002
and before Jan. 1, 2004 Total Days

33 0 + 73 366

Days after Dec. 31, 2003 Total Days

34 0 + 73 366

143 0. X From 30 100.0000% X 1.5000% X 33 0 + 73 366 = + 154 0.

143 0. X From 30 100.0000% X 2.0000% X 34 0 + 73 366 = + 156 0.

M&P claim for taxation year 154 + 156 = 160 0.

*** 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 0.

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

= 162 0.

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 0.

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 0. Credit Claimed 180 0.

Subtotal of Income Tax 40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 = 190 2,770,013.*continued on Page 7*

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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** 0.**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** 394.**Ontario Film & Television Tax Credit (OFTTC) (s.43.5)**

Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions.

Name of Production

204Eligible Credit From **5850** of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)(Attach the original Certificate of Eligibility) + **193** 0.**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 **6598****194** 0Eligible Credit From **6598** CT23 Schedule 115 (Attach Schedule 115) + **195** 0.**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** 0.**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** 0.**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** 0.**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** 0.**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** 0.**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** 0.**Apprenticeship Training Tax Credit (ATTC) (s.43.13)**

Applies to employment of eligible apprentices.

No. of Apprentices From **5896****202** 0Eligible Credit From **5898** CT23 Schedule 114 (Attach Schedule 114) + **203** 0.Other (specify) Apprenticeship progr + **203.1** 1,680.**Total Specified Tax Credits** **191** + **192** + **193** + **195** + **196** + **197** + **198** + **199** + **200** + **201** + **203** + **203.1** = **220** 2,074.**Specified Tax Credits Applied to reduce Income Tax** = **225** 2,074.**Income Tax** **190** - **225** OR Enter NIL if reporting Non-Capital Loss (amount cannot be negative) = **230** 2,767,939.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.

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Corporate Minimum Tax (CMT)

Total Assets of the corporation + [240] 334,313,391.

Total Revenue of the corporation + [241] 289,447,028.

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
See attached			+ [243]	+ [244]
			+ [245]	+ [246]
			+ [247]	+ [248]
Aggregate Total Assets	[240] + [243] + [245] + [247], etc.		= [249] 334,313,391.	
Aggregate Total Revenue	[241] + [244] + [246] + [248], etc.			= [250] 289,447,028.

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] 17,949,643 X From [30] 100.0000% X 4.0000% = [276] 717,986.
	If negative, enter zero
Subtract: Foreign Tax Credit for CMT purposes (Attach schedule)	From [277] 0.
Subtract: Income Tax	From [190] 2,770,013.
Net CMT Payable (If negative, enter Nil on Page 17.)	= [280] 0.

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] 0.

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits)		+ From [190] 2,770,013.
Gross CMT Payable	+ From [276] 717,986.	
Subtract: Foreign Tax Credit for CMT purposes	- From [277] 0.	
If [276] - [277] is negative, enter NIL in [290]	= 717,986.	[290] 717,986.
Income Tax eligible for CMT Credit		[300] 2,052,027.
B. Income Tax (after deduction of specified credits)		+ From [230] 2,767,939.
Subtract: CMT credit used to reduce income taxes		[310] 0.
Income Tax		[320] 2,767,939.

Transfer to page 17

.. 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].

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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	51,500,556.
Retained earnings (if deficit, deduct) (Int.B. 3012R)	±	351	18,283,561.
Capital and other surpluses, excluding appraisal surplus (Int.B. 3012R)	+	352	60,059,581.
Loans and advances (Attach schedule) (Int.B. 3013R)	+	353	157,282,665.
Bank loans (Int.B. 3013R)	+	354	0.
Bankers acceptances (Int.B. 3013R)	+	355	0.
Bonds and debentures payable (Int.B. 3013R)	+	356	0.
Mortgages payable (Int.B. 3013R)	+	357	0.
Lien notes payable (Int.B. 3013R)	+	358	0.
L...red 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	0.
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	+	360	0.
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	+	361	8,017,134.
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	+	362	22,019.
Subtotal	=	370	295,165,516.
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	-	371	16,236,033.
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	-	372	0.
Total Paid-up Capital	=	380	278,929,483.
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	-	381	0.
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	0.
Net Paid-up Capital	=	390	278,929,483.

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	0.
Mortgages due from other corporations	+	403	0.
Shares in other corporations (certain restrictions apply) (Refer to Guide)	+	404	0.
Loans and advances to unrelated corporations	+	405	0.
Loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	+	406	262,000.
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	+	407	0.
Total Eligible Investments	=	410	262,000.

continued on Page 10

Hydro One Brampton Networks Inc.

1800040

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DOLLARS ONLY

Capital Tax continued from Page 9**Total Assets** (Int.B. 3015R)

Assets per balance sheet	+	420	334,313,391.
Liabilities or other liabilities deducted from assets	+	421	0.
Share of partnership(s)/joint venture(s) total assets (Attach schedule)	+	422	0.
Subtract: Investment in partnership(s)/joint venture(s)	-	423	0.
Total Assets as adjusted	=	430	334,313,391.
Amounts in 360 and 361 (if deducted from assets)	+	440	0.
Subtract: Amounts in 371, 372 and 381	-	441	16,236,033.
Subtract: Appraisal surplus if booked	-	442	0.
Add or Subtract: Other adjustments (specify on an attached schedule)	±	443	0.
Total Assets	=	450	318,077,358.
Investment Allowance (410 + 450) × 390			Not to exceed 410 = 460 229,754.
Taxable Capital 390 - 460			= 470 278,699,729.

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	480	289,447,028.
Total Assets (as adjusted)	From 430	334,313,391.

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 550 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	35 366	+ 73 366	= +	500 5,000,000.
		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	X	36 0	+ 73 366	= +	501 0.
		Days after Dec. 31, 2005 and before Jan. 1, 2007	Total Days		
10,000,000	X	37 0	+ 73 366	= +	502 0.
Taxable Capital Deduction (TCD)		500 + 501 + 502	= 503		5,000,000.

SECTION C

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

C1 If 430 and 480 on page 10 are both \$3,000,000 or less, enter NIL in 550 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.

+ From 470	0.		
- From 503	0.		
= 471	0.	X From 30	100.0000% X 3000% X 555 366
		Ontario Allocation	
		366	
		365 (366 if leap year)	
		If floating taxation year, refer to Guide.	
		Transfer to 543 on page 12 and complete the return from that point	

continued on Page 11

Hydro One Brampton Networks Inc.

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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** **278,699,729.**

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 attached				+ 531	0.
				+ 532	
				+ 533	
Aggregate Taxable Capital 470 + 531 + 532 + 533 , etc.				= 540	278,699,729.

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** **278,699,729.** + From **540** **278,699,729.** x From **503** **150,000.** = **541** **150,000.**
Transfer to **542** in Section E on page 12

S.s.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

Capital Tax Calculation *continued from Page 11*

STONE

This section applies if the corporation is a member of an associated group and/or partnership whose total aggregate Taxable Capital 540 on page 11, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from **523** to **543**, and complete the return from that point.

+ From	470	278,699.729.													
-	542	150,000.													
=	471	278,549.729.	X From	30	100.0000%	X	3000%	X	Days in taxation year	555	366	-----	= +	523	Total Capital Tax for the taxation year
					Ontario Allocation						366				835,649.
											* 366				
											(366 if leap year)				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

$$+ \text{ From } 470 \text{ } 0. \times \text{ From } 30 \text{ } 100.0000\% \times 3000\% = + 561 \text{ } 0.$$

Ontario Allocation

- Capital tax deduction From **995** relating to **your corporation's** Capital Tax deduction, on Schedule 591 - - - - - From **995** 0.
= **562** 0.

Capital Tax 562 0. X Days in taxation year 555 366
 * 366
 (366 if leap year)
 Total Capital Tax for the taxation year 563 0.
 Transfer to 543 end complete
 the return from that point

loading taxation year, refer to Guide.

Capital Tax before application of specified credits

Subtract: Specified Tax Credits applied to reduce capital tax payable (Refer to Guide) - - - - -

Capital Tax 543 – 546 (amount cannot be negative) _____

[illegible]

Hydro One Brampton Networks Inc.

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DOLLARS ONLY

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.)

$$\begin{array}{l}
 \text{[565]} \quad \text{Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1} \quad 0. \times 0.6\% \times \text{From [30] Ontario Allocation} \% \times \text{[555]} \quad 0 + \frac{\text{Days in taxation year } 0}{366 \text{ if leap year}} = + \text{[569]} \quad 0.
 \end{array}$$

$$\begin{array}{l}
 \text{[570]} \quad \text{Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount} \quad 0. \times \text{[571]} \quad 0.00\% \times \text{From [30] Ontario Allocation} \% \times \text{[555]} \quad 0 + \frac{\text{Days in taxation year } 0}{366 \text{ if leap year}} = + \text{[574]} \quad 0.
 \end{array}$$

$$\text{Capital Tax for Financial Institutions – other than Credit Unions (before Section 2)} \quad \text{[569]} + \text{[574]} = \text{[575]} \quad 0.$$

* If floating taxation year, refer to Guide.

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.)

$$\text{Allowable Credit for Eligible Investments} \quad \text{---} = \text{[585]} \quad 0.$$

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (x) ☐ Yes

$$\text{Capital Tax – Financial Institutions} \quad \text{[575]} - \text{[585]} = \text{[586]} \quad 0.$$

Transfer to [543] on Page 12

Premium Tax (s.74.2 & 74.3) (Refer to Guide)

$$\begin{array}{l}
 (1) \text{ Uninsured Benefits Arrangements} \quad \text{[587]} \quad 0. \times 2\% = \text{[588]} \quad 0. \\
 \text{Applies to Ontario-related uninsured benefits arrangements.}
 \end{array}$$

(2) Unlicensed Insurance (enter premium tax payable in [588] and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in [588].)

Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

$$\text{Deduct: Specified Tax Credits applied to reduce premium tax (Refer to Guide)} \quad \text{---} = \text{[589]} \quad 0.$$

$$\text{Premium Tax} \quad \text{[588]} - \text{[589]} = \text{[590]} \quad 0.$$

Transfer to page 17

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

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

+ 600 19,790,370.

Transfer to Page 15

Add:

Federal capital cost allowance	+	601	10,355,305.
Federal cumulative eligible capital deduction	+	602	2,641,899.
Ontario taxable capital gain	+	603	13,539.
Federal non-allowable reserves. Balance beginning of year	+	604	5,857,266.
Federal allowable reserves. Balance end of year	+	605	0.
Ontario non-allowable reserves. Balance end of year	+	606	8,017,134.
Ontario allowable reserves. Balance beginning of year	+	607	0.
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	+	608	0.
Federal resource allowance (Refer to Guide)	+	609	0.
Federal depletion allowance	+	610	0.
Federal foreign exploration and development expenses	+	611	0.
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	+	617	0.

Management fees, rents, royalties and similar payments to non-arm's length non-residents

Number of Days in Taxation Year

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

612 0. X 5 + 12:5000 X 33 0 + 73 366 = + 633 0.

Days after Dec. 31, 2003 Total Days

612 0. X 5 + 14:0000 X 34 366 + 73 366 = + 634 0.

Total add-back amount for Management fees, etc. 633 + 634 = 0. + 613 0.

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 0.

Add any negative amount in 473 from Ont. CT23 Schedule 161 + 616 0.

Federal allowable business investment loss + 620 0.

Total of other items not allowed by Ontario but allowed federally (Attach schedule) + 614 0.

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 26,885,143. 640 26,885,143.

Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	+	650	10,355,305.
Ontario cumulative eligible capital deduction	+	651	2,641,386.
Federal taxable capital gain	+	652	13,539.
Ontario non-allowable reserves. Balance beginning of year	+	653	5,857,266.
Ontario allowable reserves. Balance end of year	+	654	0.
Federal non-allowable reserves. Balance end of year	+	655	8,017,134.
Federal allowable reserves. Balance beginning of year	+	656	0.
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	+	657	0.
Ontario depletion allowance	+	658	0.
Ontario resource allowance (Refer to Guide)	+	659	0.
Ontario current cost adjustment (Attach schedule)	+	661	0.
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	+	675	0.

Total of deductions for this page 650 to 659 + 661 + 675 681 26,884,630.

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	19,790,370.
Total of Additions on page 14	From	=	640	26,885,143.
Sub Total of deductions on page 14	From	=	681	26,884,630.

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 0.

ONTTI Gross-up deduction calculation:

From 662	0.	X	100	From 662	0.	=	663	0.
	From 30		100.0000					
			Ontario Allocation					

Workplace Child Care Tax Incentive (WCCT)

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

Qualifying expenditures:	665	0.	X	30.00%	X	100	=	666	0.
			From 30			100.0000			
						Ontario Allocation			

Workplace Accessibility Tax Incentive (WATI)

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

Qualifying expenditures:	667	0.	X	100.00%	X	100	=	668	0.
			From 30			100.0000			
						Ontario Allocation			

Number of Employees accommodated 669 0.

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)

Qualifying expenditures:	670	0.	X	30.00%	X	100	=	671	0.
			From 30			100.0000			
						Ontario Allocation			

Educational Technology Tax Incentive (ETTI)

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

Qualifying expenditures:	672	0.	X	15.00%	X	100	=	673	0.
			From 30			100.0000			
						Ontario Allocation			

Ontario allowable business investment loss + 678 0.

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161 + 679 0.

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 0.

Total of other deductions allowed by Ontario (Attach schedule) + 664 0.

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 26,884,630. 680 26,884,630.

Net Income (loss) for Ontario Purposes 600 + 640 - 680 = 690 19,790,883.

Transfer to Page 4

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) 0	710 (2) 0	720 (2) 0	730 0	740 0	750 0
Add:						
Current year's losses (7)	701 0	711 0	721 0	731 0	741 0	751 0
Losses from predecessor corporations (3)	702 0	712 0	722 0	732 0	742 0	752 0
Subtotal	703 0	713 0	723 0	733 0	743 0	753 0
Subtract:						
Utilized during the year to reduce taxable income	704 (2) 0	715 (2)(4) 0	724 (2) 0	734 (2)(4) 0	744 (4) 0	754 (4) 0
Expired during the year	705 0	716 0	725 0	735 0	745 0	755 0
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17 0	716 (2) to Page 17 0	726 (2) to Page 17 0	736 (2) to Page 17 0	746 0	756 0
Subtotal	707 0	717 0	727 0	737 0	747 0	757 0
Balance at End of Year	709 (8) 0	719 0	729 0	739 0	749 0	759 0

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
9th preceding taxation year 1996-07-31	817 (9) 0	860 (9) 0	840 0	850 0	870 0
8th preceding taxation year 1997-07-31	818 (9) 0	861 (9) 0	841 0	851 0	871 0
7th preceding taxation year 1998-07-31	819 (9) 0	862 (9) 0	842 0	852 0	872 0
6th preceding taxation year 1999-07-31	820 0	830 0	840 0	853 0	873 0
5th preceding taxation year 2000-07-31	821 0	831 0	841 0	854 0	874 0
4th preceding taxation year 2001-07-31	822 0	832 0	842 0	855 0	875 0
3rd preceding taxation year 2001-12-31	823 0	833 0	843 0	856 0	876 0
2nd preceding taxation year 2002-12-31	824 0	834 0	844 0	857 0	877 0
1st preceding taxation year 2003-12-31	825 0	835 0	845 0	858 0	878 0
Current taxation year 2004-12-31	826 0	836 0	846 0	859 0	879 0
Total	829 0	839 0	849 0	869 0	889 0

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 11(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.

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 and 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 0	920 0	930 0	940 0
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF)				
Taxation Year Ending year month day				
i) 3rd preceding 901	911 0	921 0	931 0	941 0
ii) 2nd preceding 902	912 0	922 0	932 0	942 0
iii) 1st preceding 903	913 0	923 0	933 0	943 0
Total loss to be carried back	From 706 0	From 716 0	From 726 0	From 736 0
Balance of loss available for carry-forward	919 0	929 0	939 0	949 0

Summary

Income tax	+ From 230 or 320	2,767,939.
Corporate Minimum Tax	+ From 280	0.
Capital Tax	+ From 550	835,649.
Premium Tax	+ From 590	0.
Total Tax Payable	= 950	3,603,588.
Subtract: Payments	- 960	3,691,622.
Capital Gains Refund (s.48)	- 965	0.
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- 985	0.
Specified Tax Credits (Refer to Guide)	- 955	0.
Other (specify)	-	0.
Balance	= 970	-88,034.
If payment due	Enclosed * 990	0.
If overpayment: Refund (Refer to Guide)	= 975	88,034.
Apply to year month day	980	0.
	(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)

TONY PAUL

Title

CONTROLLER

Full Residence Address

~~910 Main St~~~~Mississauga~~

ON

CA

Signature

Date

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

Year Ended:

Attached Sch.
2004-12-31

NBV over UCC
(Amt. ded. for tax in excess of booked)

NBV per F/S	212,038,443.00
Less: Land	-8,191,402.00
CIP	0.00
NBV - Goodwill (UCC bump up at acqn.)	60,059,581.00
UCC	-209751256.00
	0.00
25% of original CEC (58,882,890+16,172)	-14,724,764.00
25% of ECE addition - 2002 (28,012)	-7,003.00
25% of ECE addition - 2003 (320912)	-80,228.00
25% of ECE addition - 2004 (542406)	-135,602.00
Market Ready Deferral	1,705,951.00
Regulatory A/C movement (Acct>Tax)	9,968,409.00
Deferred Debts cost - Accounting	695,270.00
Undeducted def. debt cost - tax	-248,661.00
CEC	-35,092,705.00
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00
Total	16,236,033.00
	=====

Attached Sch.
2004-12-31

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2004-12-31

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)

Bank Indebtness (1009-1005/204000)	+	7,404,059
Customers deposits (2214/3020000)	+	4,771,106
Primary Debt (2520/302000)	+	143,000,000
LT Accrued Charges (2335-2336/510000) (0 + 508,500)	+	508,500
Due to HOBI (f/s note 13)	+	1,599,000
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
	+	0
Total	=	157,282,665

Transfer to 353 of the CT23



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

Partnerships/Joint Ventures

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2004-12-31

Name of Partnership or Joint Venture	The Enerconnect Limited Partnership	
Share of Partnership/Joint Venture Using Profit Sharing Ratio (%)		1.8219%
Partnership/Joint Venture Paid-up Capital		1,208,585
Corporation's Share of Paid-up Capital		22,019
Partnership/Joint Venture Eligible Investments		0
Corporation's Share of Eligible Investments		0
Partnership/Joint Venture Total Assets		0
Corporation's Share of Total Assets		0
Name of Partnership or Joint Venture		
Share of Partnership/Joint Venture Using Profit Sharing Ratio (%)		.0000%
Partnership/Joint Venture Paid-up Capital		0
Corporation's Share of Paid-up Capital		0
Partnership/Joint Venture Eligible Investments		0
Corporation's Share of Eligible Investments		0
Partnership/Joint Venture Total Assets		0
Corporation's Share of Total Assets		0
Name of Partnership or Joint Venture		
Share of Partnership/Joint Venture Using Profit Sharing Ratio (%)		.0000%
Partnership/Joint Venture Paid-up Capital		0
Corporation's Share of Paid-up Capital		0
Partnership/Joint Venture Eligible Investments		0
Corporation's Share of Eligible Investments		0
Partnership/Joint Venture Total Assets		0
Corporation's Share of Total Assets		0



Ministry of Finance
Corporations Tax Branch
PO Box 620
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Ontario Charitable Donations and Gifts
Schedule 2 page 1 of 3

Corporation's Legal Name	Ontario Corporations Tax Account No. (MCF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2004-12-31

- 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	+	0	A
Deduct: Donations expired after 5 taxation years	-	0	B
Charitable donations at beginning of taxation year	=	0	C
Add: Donations transferred on amalgamation or wind-up of subsidiary	+	0	D
Total current year charitable donations made	+	5,075	E
Subtotal D + E	=	5,075	F
Total donations available C + F	=	5,075	G
Deduct: Amount applied against taxable income (amount T)	-	5,075	T
Charitable donations closing balance	=	0	H

Part 2 - Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75% = 14,843,162 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 + 0 J

Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA + 0 K

Add the lesser of:

1. The amount of the recapture of capital cost allowance in respect of charitable gifts 0 L

2. The lesser of:

2a. Proceeds of dispositions less outlays and expenses 0 M

2b. The capital cost 0 N

The lesser of M and N 0 O

The lesser of L and O 0 + 0 P

Subtotal J + K + P 0 Q

25% X 0 Q = 0 R

Maximum deduction allowable I + R = 14,843,162 S

Claim for charitable donations (not exceeding the lesser of G from Part 1, S and net income for tax purposes) 5,075 T

Enter in 1 of the CT23

Ontario Charitable Donations and Gifts

Schedule 2 page 2 of 3

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2004-12-31
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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	+	0
Deduct: Gifts expired after 5 years	-	0
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year	+	0
Add: Gifts transferred on amalgamation or wind-up of a subsidiary	+	0
Total current year gifts	+	0
Subtotal	=	0
Deduct: Amount applied against taxable income <input type="text" value="2"/> of the CT23	-	0
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance	=	0

Foundation Name	Date of Donation	Amount \$
		0
		0
		0
		0
		0
Total gifts to Her Majesty in right of Ontario	=	0

Part 4 - Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

- 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
 - Lesser of:
 - Ontario Net Income for the taxation year V
 - 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	+	0
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years	-	0
Gifts to Canada or a province other than Ontario at the beginning of the taxation year	=	0
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary	+	0
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.)	+	0
Subtotal	=	0
Deduct: Amount applied against taxable income	-	0
Gifts to Canada or a province other than Ontario closing balance	=	0

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2004-12-31

Part 6 - Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year	..... +	0
Deduct: Gifts of certified cultural property expired after five years	..... -	0
Gifts of certified cultural property at the beginning of the taxation year	..... =	0
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	..... +	0
Total current year gifts of certified cultural property	..... +	0
Subtotal	..... =	0
Deduct: Amount applied against taxable income	..... -	0
Gifts of certified cultural property closing balance	..... =	0

Part 7 - Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year	..... +	0
Deduct: Gifts of certified ecologically sensitive land expired after five years	..... -	0
Gifts of certified ecologically sensitive land at the beginning of the taxation year	..... =	0
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	..... +	0
Total current year gifts of certified ecologically sensitive land	..... +	0
Subtotal	..... =	0
Deduct: Amount applied against taxable income	..... -	0
Gifts of certified ecologically sensitive land closing balance	..... =	0

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
<u>2003-12-31</u>	0	0	0	0	0
<u>2002-12-31</u>	0	0	0	0	0
<u>2001-12-31</u>	0	0	0	0	0
<u>2001-07-31</u>	0	0	0	0	0
<u>2000-07-31</u>	0	0	0	0	0
<u>1999-07-31</u>	0	0	0	0	0
Totals	0	0	0	0	0

**Ontario Summary of Dispositions of Capital Property
Schedule 6**

- For a corporation that has disposed of capital property or claimed an allowable business investment loss, or both, in the taxation year.
- This schedule may be used to make a designation under section 34(10) of the "Corporations Tax Act" provided the corporation has made a designation under paragraph 111(4)(e) of the "Income Tax Act" (Canada), if control of the corporation has been acquired by a person or group of persons.

Period 1: Dispositions before February 28, 2000

Period 2: Dispositions after February 27, 2000 and before October 18, 2000

Period 3: Dispositions after October 17, 2000

Part A: Designation under section 34(10) of the "Corporations Tax Act"

Complete part A if there are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e) of the "Income Tax Act" (Canada) or section 34(10) of the "Corporations Tax Act"?

Yes/No [N]

If Yes, complete the following:

Property	Class number	Date of disposition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Other adjustments	Designated amount	Gain or loss
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			=====	=====	=====	=====	=====

Part B: Inter-provincial asset transfers

Complete part B if there was any disposition shown on the schedule as a result of a federal election under section 85 of the "Income Tax Act" (Canada) that transferred assets to a non-arm's length corporation with a permanent establishment in another Canadian jurisdiction?

Yes/No [N]

If Yes, complete the following:

Property	Class number	Corporation name of transferee/or	Date of disposition YYYY/MM/DD	Cost of asset in other jurisdiction
				0
				0
				0
				0
				0
				=====
Name of other jurisdiction	Allocation ratio to other jurisdictions	Ontario elected amount	Gain or loss	
	.0000%	0	0	
	.0000%	0	0	
	.0000%	0	0	
	.0000%	0	0	
	.0000%	0	0	
	=====	=====	=====	

Part 1 - Shares

Part 2 - Real estate ("Do not include losses on depreciable property")

Page 2 of 6

1	2	3	4	5	6	
Types of capital property	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Ontario adjusted cost base	Outlays and expenses	Ontario gains or (loss) (col. 3 less cols. 4 & 5)	Date of disp.

Part 3 - Bonds

Face value	Maturity date YYYY/MM/DD	Name of issuer	Gain (loss)	
0			0	3
0			0	3
0			0	3
0			0	3
			0	
			0	
			0	C
Totals				
				=====
Gain (loss) on dispositions in period 1				0 C1
Gain (loss) on dispositions in period 2				0 C2
Gain (loss) on dispositions in period 3				0 C3

Part 4 - Other properties - ("Do not include losses on depreciable property")

Description				Gain (loss)	
vehicles	27,077	0	0	27,077	3
	0	0	0	0	3
	0	0	0	0	3
	0	0	0	0	
Gain or loss from a partnership	0	0	0	0	
	0	0	0	0	
Totals	27,077	0	0	27,077	D
				=====	
Gain (loss) on dispositions in period 1				0	D1
Gain (loss) on dispositions in period 2				0	D2
Gain (loss) on dispositions in period 3				27,077	D3

Part 5 - Personal-use property

Description of capital property				Gain only	
	0	0	0	0	3
	0	0	0	0	3
	0	0	0	0	3
	0	0	0	0	3
Note: Losses are not deductible.	0	0	0	0	E
Totals	0	0	0	0	
				=====	
Gain on dispositions in period 1				0	E1
Gain on dispositions in period 2				0	E2
Gain on dispositions in period 3				0	E3

[illegible]

Part 6 - Listed personal property

Description	Gain (loss)			
	Period 1	Period 2	Period 3	Period 4
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
Totals	0	0	0	0
	=====	=====	=====	=====
	Period 1	Period 2	Period 3	
Gain (or loss) on dispositions	0	0	0	0
Subtract: Unapplied LPP losses from other years applicable to gain on dispositions	0	0	0	0
Net gain (loss) on dispositions	0	0	0	0

Note: Net listed personal property losses may only be applied against personal property gains.

Part 7 - Property qualifying for and resulting in an allowable business investment loss

Name of small business corporation	Shares enter 1 Debt enter 2	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Ontario adjusted cost base	Outlays and expenses	Ontario loss (col. 3 less (cols 4 & 5)	Date of disp.
	0		0	0	0	0	3
	0		0	0	0	0	3
	0		0	0	0	0	3
	0		0	0	0	0	3
		Totals	0	0	0	0	G
			=====	=====	=====	=====	
				Loss on dispositions in period 1		0	G1
				Loss on dispositions in period 2		0	G2
				Loss on dispositions in period 3		0	G3

Note: Properties listed in Part 7 should not be included in any other Part of Schedule 6.

Determining capital gains and capital losses

	Period 1	Period 2	Period 3	
Gains or losses on dispositions (Total of amounts A to F, if amount F is a loss, do not include it)	0	0	27,077	27,077
Allowable business investment losses (G1, G2, G3)	0	0	0	
Gains or losses on dispositions (including ABIL)	0	0	27,077	
Add:				
Gain or loss from a partnership				0
Capital gains dividends received in the year	0	0	0	0
Capital gains reserve (Opening balance) Schedule 13	0	0	0	0
Subtotal	0	0	27,077	27,077
Less:				
Capital gains reserve (Closing balance) from Schedule 13 (note 1)	0	0	0	0
Deductible portion of gain on donations (including ecologically sensitive land)	0	0	0	
Gains (or losses)	0 H	0 I	27,077 J	27,077 Z

Note 1: Applicable to dispositions made in the period. Closing balance reserves from dispositions made in a previous taxation year need to be deducted in the period during which the taxation year begins.

Inclusion rate

	Gains or losses	Inclusion Rate		Net capital gain/capital loss
Amount from line H, period 1	0 H x	75.0000%	=	0 K
Amount from line I, period 2	0 I x	66.6667%	=	0 L
Subtotal (note 2)	0 M x	.0000%	=	0 AA
Amount from line J, period 3	27,077 J x	50.0000%	=	13,539 N
Total (note 3)	27,077 O			13,539 P
Inclusion rate for the year expressed as a decimal fraction (P divided by O)				50.000000% Q

Note 2

If one of either line H or line I is positive, and the other is negative, enter the difference (gain or loss) on the **subtotal** line. On the **inclusion rate** line, enter the inclusion rate applicable to the period from which the larger amount originates, and calculate the net gain or net loss at line **AA** based on that rate. In this case, it would not be necessary to calculate an amount at **K** and **L**. Otherwise, add lines **H** and **I**, and lines **K** and **L** for the subtotals. At the **inclusion rate** line between **M** and **AA**, enter the result of **M** divided by **AA**. This rate may be required in further calculations.

Note 3

If one of either line **M** or line **J** is positive, and the other is negative, enter the difference (gain or loss) on the total line. On the **inclusion rate** line, enter the inclusion rate applicable to the period from which the larger amount originates, and calculate the net gain or net loss at line **P** based on that rate. This could be the rate referred to at the end of note 2 above. In this case, it would not be necessary to calculate an amount at line **N**. Otherwise, add lines **M** and **J**, and lines **AA** and **N** for the totals.

Time Weighted Method for investment corporation or mutual fund corporation

Is the corporation a mutual fund corporation that wishes to use the time weighted method? [Y/N] N

Number of days in period 1	0 x	75.0000%	=	.0000%
Number of days in period 2	0 x	66.6667%	=	.0000%
Number of days in period 3	0 x	50.0000%	=	.0000%
Number of days in the taxation year	0			.000000%

Determination of taxable capital gains and allowable business investment losses

Amount from line Z 27,077 Z

Deduct:

Gain on donations of a share, debt obligation, or right
(included in amounts A to F) (note 4)

Before February 28, 2000	0			
After February 27, 2000 and before October 18, 2000	0			
After October 17, 2000	0			

	0	x	1/2	= 0
Subtotal				27,077

Deduct:

Amount of gain on donations of ecologically sensitive land after February 27, 2000

After February 27, 2000 and before October 18, 2000	0			
After October 17, 2000	0			

	0	x	1/2	= 0

Gains or Loss

Include 100% of the losses in box 711 of the CT23 27,077 R

Taxable capital gains (amount R x Inclusion rate)

Transfer to 603 of the CT23 13,539 S

Allowable business investment loss (line G x Inclusion rate)

Transfer to 678 of the CT23 0 G4
=====

Note 4:

Gain on donations of a share, debt obligation, or right listed on a prescribed stock exchange and amounts under paragraph 38(a.1) of the Act on (for donations made after February 18, 1997, and before the year 2002 to charities other than private foundations).

Portion of Gain or Loss from Foreign sources (100%) 0

CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Part 1 - Aggregate and foreign 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	13,539	0	13,539	A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)	0	0	0	B
Net capital losses of other years claimed at line 332 on the T2 return	0		0	C
Total of amounts B and C	0	0	0	D
Amount A minus amount D (if negative, enter "0")	13,539	0	13,539	E
Total income from property (include only income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends	0	0	0	
Other property income	0	0	0	
Total income from property	0	0	0	F
Exempt income	0	0	0	G
Amounts received from NISA Fund No.2 (CAIS) that were included in computing the corporation's income for the year	0	0	0	H
Taxable dividends deductible from Schedule 3, and taxable dividends deductible under paragraph 113(1)(d) and subsection 113(2)	0	0	0	I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)	0	0	0	J
Total of amounts G, H, I, and J	0	0	0	K
Amount F minus amount K	0	0	0	L
Total of amount E plus amount L	13,539	0	13,539	M
Total losses from property (include only losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)	0	0	0	N
Amount M minus amount N (if negative, enter "0")	13,539	0	13,539	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.

NET TAXABLE DIVIDENDS	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3	0	0	0
Less: Expenses related to such dividends			
Total expenses	0	0	0
Net taxable dividends	0	0	0
	=====	=====	=====

Part 2 - Specified partnership income

A	B	C	D	E	F	G	H
Partnership name	Total income (loss) of partnership from an active business	Corp's share of amount in column B	Adjustments (add prior-year reserves added back to current-year income, under subsection 34.2(5), and deduct expenses incurred to earn partnership income)	Corp's income (loss) of the partnership (column C plus column D)	Number of days in the partnership's fiscal period	Prorated business limit (columns C / B) x [200,000 (column F / 365)] (if column C is negative, enter "0")	Lesser of columns E and G (if E is negative, enter "0")
		0	0	0	0	0	0
		0	0	0	0	0	0
		0	0	0	0	0	0
		0	0	0	0	0	0
				Total	0	Total	0 H.1
				=====		=====	

Add to the total of Line H, the lesser of:

- i) the corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) - enter as a positive amount 0
- plus:
- the specified partnership loss of the corporation for the year - enter as a positive amount (total of all negative amounts in column E) 0 H.2
-
- 0
- =====
- ii) Column E minus column G - if negative, enter "0" (if a member of more than one partnership, calculate separately for each partnership and enter total) 0 0 H.3
-

Specified partnership income (line H.1 plus line H.3) 0 H.4

=====

* When a partnership carries on more than one business, one of which generates income and another realizes a loss, the partnership loss is not netted against the partnership's income.

Part 3 - Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada

deducting related expenses - from the total of line E above (if the net amount

is negative, enter "0" on line M)	0	I
Add: Specified partnership loss (from line H.2 above)	0	J

Subtotal	0	K
Deduct: Specified partnership income (from line H.4 above)	0	L

Partnership income (enter on line P below)	0	M
	=====	

Part 4 - Income from active business carried on in Canada

Net income for Ontario income tax purposes	19,790,883	N
Deduct: Foreign business income after deducting related expenses *	0	
Taxable capital gains minus allowable capital loss		
- amount A minus amount B (page 1) *	13,539	
Net property income		
- amount F minus amounts G, H and N (page 1) *	0	O
Personal services business income after deducting related expenses *	0	

	13,539	13,539
	=====	
Net amount	19,777,344	
Deduct: Partnership income (line M above)	0	P

Income from active business carried on in Canada (if negative, enter "0")	19,777,344	Q
	=====	

* If negative, enter in brackets, and add instead of subtracting.

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Summary of Capital Cost Allowance

Is the corporation electing under regulation 1101(5g)? [Y/N] N

1	2	3	4	5	6	7	8	9	10	11	12	13
Class number	Ontario un- preciated capital cost at the beginning of the year (un- preciated capital cost at the end of the prior year's CCA schedule)	Cost of acquisitions during the year (new property must be available for use)	Net (show negative amounts in brackets)	Proceeds of dispositions during the year (amount not to exceed the capital cost)	Ontario un- preciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)	Reduced un- depreciated capital cost (column 6 minus column 7)	CCA rate %	Recapture of capital cost allowance	Terminal loss	Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	Ontario un- depreciated capital cost at the end of the year (column 6 minus column 12)
1	163,327,736	13,037,693	319,945	0	176,685,364	6,519,841	170,166,523	4	0	0	6,806,661	169,878,703
2	38,656,036	0	0	0	38,656,036	0	38,656,036	6	0	0	2,319,362	36,336,674
8	817,971	161,119	0	0	979,090	80,559	898,531	20	0	0	179,706	799,384
10	2,233,334	472,499	0	0	2,705,833	236,249	2,469,584	30	0	0	740,875	1,964,958
45	0	841,520	0	0	841,520	420,760	420,760	45	0	0	189,342	652,178
12	0	238,718	0	0	238,718	119,359	119,359	100	0	0	119,359	119,359
total	205,035,077	14,751,539	319,945	0	220,106,561	7,375,768	212,730,793	0	0	0	10,355,305	209,751,256

See note 2
belowSee note 1
below

Summary of Capital Cost Allowance

1	2	3	4	5	6	7	8	9	10	11	12	13
Class number	Ontario un-	Cost of acquisitions during the year (new property must be available for use)	Net adjustments (show negative amounts in brackets)	Proceeds of dispositions during the year (amount not to exceed the capital cost)	Ontario un-	50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)	Reduced un-	CCA rate %	Recapture of capital cost allowance	Terminal loss	Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	Ontario un-
	preciated capital cost at the beginning of the year (unde-				preciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)		preciated capital cost (column 6 minus column 7)					preciated capital cost at the end of the year (column 6 minus column 12)

CCA
schedule)

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.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

after including the federal terminal loss.



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

Ontario Cumulative Eligible Capital Deduction Schedule 10

(For taxation years 2000 and later)

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2004-12-31

- 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) **37,327,286^A**

Add:

Cost of eligible capital property acquired during the taxation year	+	542,406^B	
Amount transferred on amalgamation or wind-up of subsidiary	+	0^C	
Other adjustments	+	0^D	
Total of B + C + D	=	542,406	X 0.75 = 406,805^E
Subtotal A + E			= 37,734,091^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	+	0^G	
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the <i>Income Tax Act</i> (Canada)	+	0^H	
Other adjustments	+	0^I	
Total of G + H + I	=	0	X 0.75 = 0^J
Ontario cumulative eligible capital balance F – J			= 37,734,091^K

If K is negative, enter zero at line M and proceed to Part 2

Current year deduction **37,734,091^K** X 7.00% * = **2,641,386^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) = **35,092,705^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 if the amount at line K is negative

Amount from line K above (show as a positive amount) **0^N**

Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988 **0¹**

Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA **0²**

Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988 **0³**

Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988 **0⁴**

Line 3 deduct line 4 **0⁵**

Total lines 1 + 2 + 5 **0⁶**

Line T from previous Ontario Schedule 10 for taxation years ending after February 27, 2000 **0⁷**

Deduct line 7 from line 6 **0**

N – O (cannot be negative) **0^O**

Amount on line 5 **0** X 1/2 **0^P**

P – Q **0^Q**

Amount on line R **0** X 2/3 * **0^R**

Lesser of line N or line O **0^S**

Amount to be included in income S + T **0^T**

* Note: For taxation years ending after February 27, 2000 and before October 18, 2000 use 8/9 to calculate S

Financial Statements

Hydro One Brampton Networks Inc.
December 31, 2004



AUDITORS' REPORT

To the Shareholder of
Hydro One Brampton Networks Inc.

We have audited the balance sheet of **Hydro One Brampton Networks Inc.** as at December 31, 2004 and the statements of operations, retained earnings and 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 13, 2005.

Ernst & Young LLP

Chartered Accountants

HYDRO ONE BRAMPTON NETWORKS INC.

STATEMENTS OF OPERATIONS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Revenues		
Distribution	285,733	278,229
Other	2,221	1,976
	287,954	280,205
Costs		
Purchased power (Note 13)	234,908	225,830
Operations, maintenance and administration	13,976	14,406
Depreciation and amortization (Note 4)	12,706	12,235
	261,590	252,471
Regulatory recovery (Note 3)	1,493	-
Income before financing charges and provision for payments in lieu of corporate income taxes	27,857	27,734
Financing charges (Notes 5 and 13)	9,908	9,647
Income before provision for payments in lieu of corporate income taxes	17,949	18,087
Provision for payments in lieu of corporate income taxes (Notes 6 and 13)	6,893	4,025
Net income	11,056	14,062

See accompanying notes to financial statements.

STATEMENTS OF RETAINED EARNINGS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Retained earnings, January 1	16,228	13,166
Net income	11,056	14,062
Dividends (Notes 12 and 13)	(9,000)	(11,000)
Retained earnings, December 31	18,284	16,228

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.

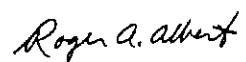
BALANCE SHEETS

<i>December 31 (Canadian dollars in thousands)</i>	2004	2003
Assets		
Current assets:		
Cash	-	1,568
Accounts receivable (net of allowance for doubtful accounts - \$756 thousand; 2003 - \$707 thousand) (Note 13)	48,338	38,593
Materials and supplies	3,392	2,996
	51,730	43,157
Fixed assets (Note 7):		
Fixed assets in service	366,671	351,758
Less: accumulated depreciation	155,545	143,041
	211,126	208,717
Other long-term assets:		
Goodwill (Note 12)	60,060	60,060
Regulatory assets (Note 8)	9,827	10,986
Deferred debt costs (Note 9)	695	721
	70,582	71,767
Total assets	333,438	323,641
Liabilities		
Current liabilities:		
Bank indebtedness	7,404	-
Accounts payable and accrued charges (Note 13)	45,952	45,982
Accrued interest	844	844
Due to Hydro One Brampton Inc. (Note 13)	1,599	1,599
	55,799	48,425
Long-term debt (Notes 9, 10 and 13)	143,000	143,000
Other long-term liabilities:		
Long term accounts payable and accrued liabilities	262	-
Employee future benefits other than pension (Note 11)	4,532	4,427
	4,794	4,427
Total liabilities	203,593	195,852
Contingencies and commitments (Notes 15 and 16)		
Shareholder's equity (Note 12)		
Contributed surplus	60,060	60,060
Common shares (authorized: unlimited; issued: 2,000)	51,501	51,501
Retained earnings	18,284	16,228
Total shareholder's equity	129,845	127,789
Total liabilities and shareholder's equity	333,438	323,641

See accompanying notes to financial statements.

On behalf of the Board of Directors:


Tom Parkinson
Chair


Roger Albert
President and Chief Executive Officer

HYDRO ONE BRAMPTON NETWORKS INC.

STATEMENTS OF CASH FLOWS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Operating activities		
Net income	11,056	14,062
Adjustments for non-cash items:		
Depreciation and amortization	13,117	12,673
Deferred debt costs	26	26
Change in regulatory assets	1,159	(1,251)
	25,358	25,510
Changes in non-cash balances related to operating activities (Note 14)	(9,804)	12,237
Net cash from operating activities	15,554	37,747
Financing Activities		
Dividends	(9,000)	(11,000)
Net cash used in financing activities	(9,000)	(11,000)
Investing activities		
Fixed assets	(15,526)	(17,138)
Net cash used in investing activities	(15,526)	(17,138)
Net change in cash and cash equivalents	(8,972)	9,609
Cash and cash equivalents, January 1	1,568	(8,041)
Cash and cash equivalents, December 31 (Note 14)	(7,404)	1,568

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Hydro One Brampton Networks Inc. ("the Company") was incorporated on April 25, 2000 under the *Business Corporations Act* (Ontario). The principal business of the Company is the distribution of electricity to customers within the City of Brampton, Ontario. This business is regulated by the Ontario Energy Board ("OEB"). The Company is a wholly-owned subsidiary of Hydro One Brampton Inc., which in turn is a wholly-owned subsidiary of Hydro One Inc. ("Hydro One").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

The Company follows the push down basis of accounting for goodwill whereby the goodwill values that arose in the purchase equation when the Company was acquired were "pushed down" to the accounts of the Company.

Rate-setting

The electricity distribution business of the Company is subject to rate regulation by the OEB. The OEB has the general power to include or exclude costs, revenues, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. This change in timing gives rise to the recognition of regulatory assets. The Company's regulatory assets primarily represent costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. Specific regulatory assets recognized at December 31, 2004 are disclosed in Note 8.

The Company continually assesses the likelihood of recovery of each of its regulatory assets and believes that it is probable that its regulatory assets will be factored into the setting of future rates. If future recovery through rates is no longer considered probable, the regulatory assets will be adjusted to reflect the appropriate carrying amount in the period that the assessment is made.

Revenue Recognition

Distribution revenues attributable to the sale and delivery of electricity reflect actual consumption billed and an estimate for unbilled consumption. Unbilled revenue that relates to energy used by consumers from the last meter reading dates during the period to the end of the year are estimated based on historical consumption (2004 - \$6,436 thousand; 2003 - \$6,034 thousand). Actual results could differ from estimates made of unbilled electricity usage.

Corporate Income and Capital Taxes

Under the *Electricity Act, 1998*, the Company is required to make payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) as modified by the *Electricity Act, 1998*, and related regulations.

The Company provides for payments in lieu of corporate income taxes using the taxes payable method as directed by the OEB. Under the taxes payable method, no provisions are made for future income taxes because of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the Company at that time.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Inter-Company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, including the Company. The Company earns interest on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. The Company is charged interest on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost or net realizable value.

Fixed Assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to major capital construction activities.

Fixed assets in service consist of land and land rights, buildings, distribution equipment, transformers and meters, trucks and equipment, and office and computer equipment.

During 2003, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3110, *Asset Retirement Obligations*. This accounting standard requires the Company to determine the fair value of the future expenditures required to settle legal obligations to remove fixed assets. If reasonably estimable, a liability is recognized equal to the present value of the estimated future removal expenditures. An equivalent amount is capitalized as an inherent cost of the associated fixed asset.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

Depreciation

Depreciation of fixed asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Depreciation Rate
Land rights	2.00%
Buildings	2.00%
Distribution equipment	2.50% - 6.67%
Transformers and meters	4.00%
Trucks and equipment	12.50%
Office and computer equipment	10.00% - 20.00%

In accordance with group depreciation practices, the original cost of normal fixed asset retirements is charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense. Depreciation expense also includes the costs incurred to remove fixed assets where an asset retirement obligation, as defined in CICA Handbook Section 3110, has been recognized.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Depreciation rates for fixed assets are subject to periodic review. Changes in depreciation rates arising from such a review are applied over the remaining service life.

Goodwill

Effective August 1, 2001, Hydro One purchased all of the outstanding shares of the Company's parent, Hydro One Brampton Inc., for cash from the Corporation of the City of Brampton under an agreement of purchase and sale dated October 31, 2000. The purchase resulted in the recognition of goodwill, valued at \$60,060 thousand, which was then pushed down to the Company's assets, resulting in the recognition of contributed surplus.

The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require, with any write-down of the carrying value of goodwill being charged to results of operations. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. The Company has determined that goodwill is not impaired.

Deferred Debt Costs

Deferred debt costs include debt issuance costs transferred from the parent company. Deferred debt costs are amortized over the period to maturity of the debt on a straight-line basis.

Employee Future Benefits

Employee future benefits for all employees of the Company include pension, group life insurance, health care and long-term disability.

The Company accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Employee future benefits other than pension are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Province of Ontario.

3. REGULATORY RECOVERY

On December 9, 2004, the OEB issued a regulatory decision that included an expedited process that allowed local distribution companies to seek approval for future recovery of their regulatory assets, the recovery of which was previously suspended by the *Electricity Pricing, Conservation and Supply Act, 2002*. Due to the uncertainty of future recovery, the Company had ceased attributing interest to its regulatory asset balances. As a result of the December 9, 2004 OEB decision, the Company has recognized an additional recoverable amount of \$1,493 thousand within its regulatory asset accounts, primarily associated with these previously unrecognized interest amounts.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

4. DEPRECIATION AND AMORTIZATION

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Depreciation of fixed assets in service	12,648	12,235
Amortization of regulatory and other assets	58	-
	12,706	12,235

5. FINANCING CHARGES

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Interest on long-term debt	9,939	9,939
Amortization of deferred debt costs	26	26
Interest income	(57)	(318)
	9,908	9,647

6. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Income before provision for PILs	17,949	18,087
Federal and Ontario statutory income tax rate	36.12%	36.62%
Provision for PILs at statutory rate	6,483	6,623
Increase (decrease) resulting from:		
Temporary differences:		
Interim recoveries not recorded for accounting purposes	1,040	-
Retail settlement variance accounts	(154)	(4,015)
Regulatory recovery	(539)	-
Employee future benefits other than pension expense in excess of cash payments	38	23
Depreciation and amortization more than (less than) capital cost allowance	24	(26)
Other	(194)	954
Net temporary differences	215	(3,064)
Net permanent differences:		
Large corporations tax	359	459
Other	(164)	7
Net permanent differences	195	466
Provision for PILs	6,893	4,025
Effective income tax rate	38.40%	22.25%

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2004, future income tax liabilities of \$2,555 thousand (2003 - \$3,275 thousand), based on substantively enacted income tax rates, have not been recorded.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

7. FIXED ASSETS

<i>December 31 (Canadian dollars in thousands)</i>	Fixed Assets in Service	Accumulated Depreciation	Total
2004			
Land and land rights	9,461	114	9,347
Buildings	21,235	5,477	15,758
Distribution equipment	238,204	102,175	136,029
Transformers and meters	86,027	39,858	46,169
Trucks and equipment	8,377	5,649	2,728
Office and computer equipment	3,367	2,272	1,095
	366,671	155,545	211,126
2003			
Land and land rights	8,919	94	8,825
Buildings	20,921	5,055	15,866
Distribution equipment	227,915	93,686	134,229
Transformers and meters	83,679	36,817	46,862
Trucks and equipment	8,192	5,418	2,774
Office and computer equipment	2,132	1,971	161
	351,758	143,041	208,717

8. REGULATORY ASSETS

Regulatory assets and liabilities can arise because of the rate-making process. As described in Note 2, the Company has recorded the following regulatory assets:

<i>December 31 (Canadian dollars in thousands)</i>	2004	2003
Retail settlement variance accounts	10,334	9,314
Market ready costs	1,316	1,083
Other	1,058	589
Interim recoveries	(2,881)	-
	9,827	10,986

Retail settlement variance accounts consist of amounts deferred under the provisions of the OEB's Accounting Procedures Handbook. Market ready costs are deferred transition expenditures associated with the May 1, 2002 opening of the electricity market to competition. These expenditures were deferred in accordance with the OEB's Electricity Distribution Rate Handbook and OEB guidance. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.

On December 23, 2003, the OEB provided a method of interim recovery of the Company's 2002 regulatory asset balances on a straight-line basis over the period April 1, 2004 to March 31, 2008. On December 9, 2004, the OEB announced an expedited review mechanism that could be used by distributors wishing to seek final approval and recovery of these amounts as well as 2003 balances (see Note 3). On March 21, 2005, the OEB approved the Company's request to continue to recover these regulatory asset balances.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

9. LONG-TERM DEBT

The promissory note is payable to Hydro One and bears interest at a rate of 6.95% per annum until maturity on June 1, 2031. The note is subject to redemption or repurchase by the Company before maturity, in whole or in part.

On issuance of the promissory note, \$773 thousand of debt costs incurred by Hydro One was transferred to the Company. These debt costs are being amortized over the 30-year term of the note.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of all financial instruments, except long-term debt, approximate fair values. The fair value of long-term debt, based on year-end quoted market prices for the same or similar debt of the same remaining maturities, is provided in the following table:

<i>December 31 (Canadian dollars in thousands)</i>	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	143,000	167,859	143,000	160,803

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2004, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any single customer. As at December 31, 2004, there were no significant balances of accounts receivable due from any single customer.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

11. EMPLOYEE FUTURE BENEFITS

Employees of the Company participate in OMERS, a multi-employer public sector pension fund. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and salary.

The Company accounts for its participation as a deferred contribution plan. During 2004, the Company contributed \$788 thousand to the plan (2003 - \$236 thousand).

The Company also provides certain medical and life insurance benefits on behalf of its retired employees and their dependents. The Company recognizes these post-retirement costs in the period in which the employees rendered services. Costs are determined by independent actuaries using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered. The measurement date used to determine the accrued benefit obligation is December 31.

Employee future benefit costs are attributed to labour and charged to operations or capitalized as part of the cost of fixed assets.

Information about the Company's post-retirement benefit plan is as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2004	2003
Accrued benefit liability, beginning of year	4,427	4,364
Net periodic post-retirement benefit cost	210	164
Benefits paid	(105)	(101)
Accrued benefit liability, end of year	4,532	4,427

During 2003 the Company had an actuarial gain of \$1,609 thousand as a result of an independent actuarial valuation. The net accumulated unamortized actuarial gain at December 31, 2004 was \$1,309 thousand (2003 - \$1,493 thousand).

Components of net periodic post-retirement benefit cost are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2004	2003
Current service cost	109	96
Interest cost	187	177
Actuarial loss (gain) on benefit obligation	98	(1,609)
Costs arising in the period	394	(1,336)

Differences between costs arising in the period and costs recognized in the period in respect of:

Actuarial (gain) loss	(184)	1,500
Net periodic post-retirement benefit cost	210	164

Effect of 1% increase in health care cost trends on:

Accrued benefit obligation, December 31	223	189
Service and interest costs	27	23

Effect of 1% decrease in health care cost trends on:

Accrued benefit obligation, December 31	(198)	(168)
Service and interest costs	(22)	(20)

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The significant actuarial assumptions used in measuring the accrued benefit obligation are as follows:

	2004	2003
Expected annual remaining service life of employees	14 years	14 years
Rate of cost of living increase	2.50%	2.50%
Discount rate for the expense for the year ended December 31	6.25%	6.00%
Discount rate for accrued benefit obligation as at December 31	6.00%	6.25%
Rate of compensation scale escalation (without merit)	4.00%	4.00%
Rate of increase of long-term supplementary medical costs is 7.20% per annum in 2003 grading down to 4.50% per annum after three years and remaining constant thereafter.	6.30%	7.20%
Rate of increase of prescription drugs is 13.25% per annum in 2003 grading down to 4.50% per annum after ten years and remaining constant thereafter.	12.38%	13.25%
Rate of increase in dental costs 6.60% per annum in 2003 grading down to 4.50% per annum after three years and remaining constant thereafter.	5.90%	6.60%

12. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares and 2,000 shares have been issued to date.

Contributed Surplus

Contributed surplus represents \$60,060 thousand in goodwill recognized upon Hydro One's 2001 purchase and 'pushed down' to the accounts of the Company.

Dividends

Common dividends are declared at the sole discretion of the Company's Board of Directors, and are recommended by management based upon results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

During 2004, common dividends in the amount of \$9,000 thousand (2003 - \$11,000 thousand) were declared and paid.

13. RELATED PARTY TRANSACTIONS

Hydro One and its subsidiaries, the OEFC, Ontario Power Generation Inc., the Independent Electricity System Operator (IESO) and the Province of Ontario are related parties of the Company. Transactions between these parties and the Company were as follows:

The Company purchased certain transmission, connection, and administrative services from Hydro One Networks Inc. and Hydro One totalling \$1,576 thousand (2003 - \$1,568 thousand). The Company sold certain transmission and connection services to Hydro One Networks Inc. totaling \$1,547 thousand (2003 - \$1,616 thousand).

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

During 2004, the Company paid for certain telecommunication services and leased a portion of its facilities and equipment to Hydro One Telecom Inc. In 2004, the Company received a net amount from Hydro One Telecom Inc. of \$218 thousand (2003 - \$209 thousand).

The Company purchased power from the IESO-administered spot market in the amount of \$233,971 thousand in 2004 (2003 - \$223,815 thousand).

Provision for payments in lieu of corporate income and capital taxes was paid or payable to the OEFC in the amount of \$7,773 thousand in 2004 (2003 - \$4,825 thousand).

Common dividends were paid to Hydro One Brampton Inc. in the amount of \$9,000 thousand (2003 - \$11,000 thousand).

The amounts receivable from or due to related parties as a result of the transactions referred to above are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2004	2003
Accounts receivable	334	214
Accounts payable and accrued charges	(24,601)	(23,590)

As described in Note 9, as at December 31, 2004, long-term debt of \$143,000 thousand was due to Hydro One (2003 - \$143,000 thousand). Net financing charges for 2004 include interest expense on this debt in the amount of \$9,939 thousand (2003 - \$9,939 thousand).

The amount payable to Hydro One Brampton Inc. of \$1,599 thousand (2003 - \$1,599 thousand) is a promissory note due on demand without interest.

14. STATEMENTS OF CASH FLOWS

For the purposes of the Statements of Cash Flows, "cash and cash equivalents" refers to the balances sheet items "cash" and "bank indebtedness".

The changes in non-cash balances related to operations consists of the following:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2004	2003
Accounts receivable - increase	(9,745)	(845)
Materials and supplies - (increase) decrease	(396)	129
Accounts payable and accrued charges -- (decrease) increase	(30)	12,890
Long term accounts payable and accrued liabilities increase	262	-
Employee future benefits other than pension - increase	105	63
	(9,804)	12,237

15. CONTINGENCIES

The Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters, except as noted below, will not have an adverse effect on the Company's financial position, results of operations or cash flows.

A class action claiming \$500 million in restitutionary payments, plus interest, was served on Toronto Hydro on November 18, 1998. The action was initiated against the former 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 amounts allowed by law. The Electricity Distributors Association is

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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.

16. COMMITMENTS

Operating leases

The future minimum lease payments under operating leases for each of the two years subsequent to December 31, 2004 and thereafter are as follows: 2005 - \$21 thousand; 2006 - \$5 thousand; and thereafter - nil.

Prudential support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit plus the nominal amount of the parental guarantee. As at December 31, 2004, the Company provided prudential support, using a combination of bank letters of credit of \$7 million (2003 - \$7 million) and parental guarantees of \$75 million (2003 - \$75 million).

17. SUBSEQUENT EVENTS

OMERS pension costs

On February 1, 2005, the Company requested that the OEB authorize the establishment of a regulatory deferral account for cash pension costs and associated carrying charges. On March 2, 2005, the OEB approved a deferral account for 2004 pension costs of \$500 thousand and those of future years. The 2004 costs will be recorded in 2005 as a reduction to operations maintenance and administration expenses and an increase to regulatory assets. The OEB noted in its decision that the ultimate disposition of any deferred amounts, and their eligibility for recovery through rates, will be the subject of a future proceeding.

March 21, 2005 OEB decision

On March 21, 2005, the OEB approved the Company's request to continue to recover its regulatory asset balances recognized prior to 2004, as well as amounts related to the third tranche of allowable return on equity and the 2005 proxy allowance for payments in lieu of taxes.

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

2005

Tax Returns and

Financial Statements



Canada Customs
and Revenue Agency

Agence 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

Corporation's name

002 Hydro One Brampton Networks Inc.

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 ☒

011 175 Sandalwood Parkway, West

City Province, territory, or state

015 Brampton 016 ON

Country (other than Canada) Postal code/Zip code

017 018 L7A 1E8

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

City Province, territory, or state

025 026

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 we were notified? 030 1 Yes ☐ 2 No ☒

031 175 Sandalwood Parkway, West

032

City Province, territory, or state

035 Brampton 036 ON

Country (other than Canada) Postal code/Zip code

037 038 L7A 1E8

040 Type of corporation at the end of the taxation year

- 1 ☒ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation
- 2 ☐ Other private corporation 5 ☐ Other corporation (specify, below)
- 3 ☐ Public corporation

If 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 Taxation year end
060 2005-01-01 061 2005-12-31
YYYY MM DD 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 GIFI 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?	<input checked="" type="checkbox"/>	9
Does the corporation have any non-resident shareholders?	<input type="checkbox"/>	19
Is the corporation an associated Canadian-controlled private corporation?	<input type="checkbox"/>	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	<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	<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?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input checked="" 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?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<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> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input type="checkbox"/>	T106
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<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?	<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?	<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?	<input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input 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?	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the taxation year?	<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?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	<input type="checkbox"/>	26 *
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input type="checkbox"/>	T661
Is the corporation subject to gross Part I.3 tax?	<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?	<input checked="" type="checkbox"/>	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<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?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<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?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax?	<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	Electricity Distrib	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 22,615,315 A

Deduct:

Charitable donations from Schedule 2	311	360
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	
Part VI.1 tax deduction from Schedule 43 *	325	
Non-capital losses of preceding taxation years from Schedule 4	331	
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	360	360 B

Subtotal (amount A minus amount B) (if negative, enter "0") 22,614,955 C

Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions 355 _____ D

Taxable Income (amount C plus amount D) 360 22,614,955

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) 22,614,955 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	22,615,315	A
Taxable 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	22,614,955	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	=	300,000 3
		Number of days in the taxation 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 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 on line 410.

Business limit reduction:

Amount C	300,000	x	415 ***	663,533	D	=	17,694,213	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 on line 636 without reference to the corporate tax reductions under section 123.4.

***** Large corporation tax**

- The large corporation tax to be entered on 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	300,000	=	A
		line 4 above		
Net active business income (amount from line 400) *				22,615,315 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	22,614,955	C
---	------------	---

Deduct:

Aggregate investment income (amount from line 440 of page 6)	D
Amount C minus amount D (if negative, enter "0")	22,614,955 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 (amount from line 435 of page 5)	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	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 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	A
Amount A	x	Number of days in the taxation year in 2004	x 2 % =		B
		Number of days in the taxation year	365		
Amount A	x	Number of days in the taxation year in 2005	x 3 % =		C
		Number of days in the taxation year	365		
Amount A	x	Number of days in the taxation year in 2006	x 5 % =		D
		Number of days in the taxation year	365		
Amount A	x	Number of days in the taxation year after 2006	x 7 % =		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	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				22,614,955	A
Amount Z from Part 9 of Schedule 27	x	100 / 7 =			B
Amount QQ from Part 13 of Schedule 27					C
Taxable resource income from line 435 above					D
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)					E
Amount on line 400, 405, 410, or 425 on page 4, whichever is the least					F
Aggregate investment income from line 440 of page 6					G
Amount used to calculate the accelerated tax reduction (amount M of page 4)					H
Total of amounts B, C, D, E, F, G, and H					I
Amount A minus amount I (if negative, enter "0")				22,614,955	J
Amount J	x	Number of days in the taxation year after 2003	x 7 % =	1,583,047	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)				1,583,047	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					M
Amount Z from Part 9 of Schedule 27	x	100 / 7 =			N
Amount QQ from Part 13 of Schedule 27					O
Taxable resource income from line 435 above					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
Amount S	x	Number of days in the taxation year after 2003	x 7 % =		T
		Number of days in the taxation year	365		
General tax reduction – amount T (enter amount U on line 639 of page 7)					U

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the taxation year

Aggregate investment income **440** $\times 26 \frac{2}{3} \% =$ **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** $\times 9 \frac{1}{3} \% =$ **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 **22,614,955**

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 $\times 25 \frac{1}{9} =$

Foreign business income
tax credit from line 636
of page 7 $\times 3 =$

22,614,955
 $\times 26 \frac{2}{3} \% =$ **6,030,655 D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) **5,002,427**

Deduct: Corporate surtax from line 600 of page 7 **253,287**

Net amount **4,749,140** **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** **3,610**

Deduct: Dividend refund for the previous taxation year **465** **3,610**

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

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

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

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 $\times 1 \frac{1}{3} =$ **I**

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

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

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** 8,593,683 **A**

Corporate surtax calculation

Base amount from line A above 8,593,683 **1**

Deduct:

10 % of taxable income (line 360 or amount Z, whichever applies) from page 3 2,261,496 **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 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**

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 2,261,496 **7**

Net amount (line 1 minus line 7) 6,332,187 **8**

Corporate surtax – 4.00 % of the amount on line 8 **600** 253,287 **B**

Recapture 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 22,614,955

Deduct:

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

Net amount 22,614,955 **22,614,955 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) 8,846,970 **E**

Deduct:

Small business deduction from line 430 of page 4 **9**

Federal tax abatement **608** 2,261,496

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 **10**

General tax reduction for CCPCs from amount L on page 5 **638** 1,583,047

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**

Apprenticeship job creation tax credit **11**

Subtotal 3,844,543 **3,844,543 F**

Part I tax payable – Line E minus line F (enter amount G on line 700 of page 8) 5,002,427 **G**

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	5,002,427
Part I.3 tax payable from Schedule 33, 34, or 35	704	261,225
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	
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		5,263,652

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 5,263,652 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	
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	5,273,694
Total credits 890		5,273,694

Refund code **894** Overpayment 10,042

Total credits 890 5,273,694 **Balance (line A minus line B) 5,273,694 B**
-10,042

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 **913** 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 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 PAUL	951 TONY	954 CONTROLLER
Last name	First name	Position, office, or rank
I 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 2006-06-21	<i>[Signature]</i>	956 (905) 840-6300
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		
958	957 1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/>	959
Name		Telephone number

Language of correspondence – Langue de correspondance

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



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

SCHEDULE 141

NOTES CHECKLIST

Corporation's name Hydro One Brampton Networks Inc.	Business Number	Taxation year end Year Month Day 2005-12-31
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- 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:

Completed an auditor's report	198	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 ☐ 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 ☒

Hydro One Brampton Networks Inc.

Financial Statements

December 31, 2005

AUDITORS' REPORT

To the Shareholder of **Hydro One Brampton Networks Inc.:**

We have audited the balance sheets of **Hydro One Brampton Networks Inc.** (the Company) as at December 31, 2005 and December 31, 2004, and the statements of operations, retained earnings and cash flow for the years 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 audits.

We conducted our audits 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 2004, the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 12, 2006

Ernst & Young LLP

Chartered Accountants

HYDRO ONE BRAMPTON NETWORKS INC. STATEMENTS OF OPERATIONS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Revenues		
Distribution (Note 3)	339,441	285,733
Other (Note 14)	2,739	2,221
	342,180	287,954
Costs		
Purchased power (Notes 3 and 14)	282,797	234,908
Operation, maintenance and administration (Note 14)	14,811	13,976
Depreciation and amortization (Note 5)	13,310	12,706
	310,918	261,590
Regulatory recovery (Note 4)	-	1,493
Income before financing charges and provision for payments in lieu of corporate income taxes	31,262	27,857
Financing charges (Notes 6 and 14)	9,540	9,908
Income before provision for payments in lieu of corporate income taxes	21,722	17,949
Provision for payments in lieu of corporate income taxes (Notes 7 and 14)	8,595	6,893
Net income	13,127	11,056

STATEMENTS OF RETAINED EARNINGS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Retained earnings, January 1	18,284	16,228
Net income	13,127	11,056
Dividends (Notes 13 and 14)	-	(9,000)
Retained earnings, December 31	31,411	18,284


See accompanying notes to financial statements.

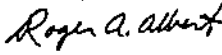
HYDRO ONE BRAMPTON NETWORKS INC. BALANCE SHEETS

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Assets		
Current assets		
Cash	2,125	-
Inter-company demand facility (Note 14)	12,100	-
Accounts receivable (net of allowance for doubtful accounts - \$805 thousand; 2004 - \$756 thousand) (Note 14)	48,768	48,338
Materials and supplies	3,747	3,392
	66,740	51,730
Fixed assets (Note 8)		
Fixed assets in service	384,136	366,671
Less: accumulated depreciation	169,258	155,545
	214,878	211,126
Other long-term assets		
Goodwill (Note 13)	60,060	60,060
Regulatory assets (Note 9)	8,780	9,827
Deferred debt costs (Note 10)	669	695
	69,509	70,582
Total assets	351,127	333,438
Liabilities		
Current liabilities		
Bank indebtedness	-	7,404
Accounts payable and accrued charges (Note 14)	57,781	45,952
Accrued interest	844	844
Due to Hydro One Brampton Inc. (Note 10 and 14)	1,599	1,599
	60,224	55,799
Long-term debt (Notes 10, 11 and 14)	143,000	143,000
Other long-term liabilities		
Long term accounts payable and accrued liabilities	249	262
Employee future benefits other than pension (Note 12)	4,682	4,532
	4,931	4,794
Total liabilities	208,155	203,593
Contingencies and commitments (Notes 16 and 17)		
Shareholder's equity (Note 13)		
Contributed surplus	60,060	60,060
Common shares (authorized: unlimited; issued: 2,000)	51,501	51,501
Retained earnings	31,411	18,284
Total shareholder's equity	142,972	129,845
Total liabilities and shareholder's equity	351,127	333,438

See accompanying notes to financial statements.

On behalf of the Board of Directors:


Tom Parkinson
Chair


Roger Albert
Director

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF CASH FLOWS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Operating activities		
Net income	13,127	11,056
Adjustments for non-cash items:		
Depreciation and amortization (net of removal costs)	13,947	13,209
Change in regulatory assets	1,047	1,159
Amortization of deferred debt costs	26	26
	28,147	25,450
Changes in non-cash balances related to operations <i>(Note 15)</i>	11,181	(9,804)
Net cash from operating activities	39,328	15,646
Investing activities		
Capital expenditures	(17,699)	(15,618)
Net cash used in investing activities	(17,699)	(15,618)
Financing Activities		
Dividends paid	-	(9,000)
Net cash used in financing activities	-	(9,000)
Net change in cash and cash equivalents	21,629	(8,972)
Cash and cash equivalents, January 1	(7,404)	1,568
Cash and cash equivalents, December 31 <i>(Note 15)</i>	14,225	(7,404)

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Hydro One Brampton Networks Inc. (Hydro One Brampton or the Company) was incorporated on April 25, 2000 under the *Business Corporations Act* (Ontario). The Company is a wholly-owned subsidiary of Hydro One Brampton Inc., which in turn is a wholly-owned subsidiary of Hydro One Inc. (Hydro One). The principal business of the Company is the distribution of electricity to customers within the City of Brampton, Ontario. This business is regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

The Company follows the push down basis of accounting for goodwill whereby the goodwill values that arose in the purchase equation when the Company was acquired were "pushed down" to the accounts of the Company.

Rate-setting

The rates of the electricity distribution business of the Company are subject to regulation by the OEB. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that, which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The specific regulatory assets recognized at December 31, 2005 are disclosed in Note 9.

On December 9, 2004, the OEB issued a regulatory decision that included an expedited process that allowed local distribution companies to seek approval for future recovery of regulatory asset balances, plus related interest. As a result of the OEB's decision, the proportion of the Company's regulatory assets subject to potential future OEB disallowance has been significantly reduced. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets into the setting of future rates. If, at some future date, the Company determines that it is no longer probable that the OEB will include a regulatory asset in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

The Company's distribution rates are based on a revenue requirement that includes a rate of return. Current distribution rates are based on a cost of service rate regulation model, which includes a targeted return of 9.88% on deemed common equity. In August 2005, the Company filed a rate application seeking approval for a \$3,000 thousand increase (calculated in reference to the 2004 base year) in the 2006 revenue requirement for the distribution business. This revenue requirement is based on achieving a 9.00% return on deemed equity, consistent with the OEB's guidance for setting 2006 rates. A written hearing commenced in December 2005 and an OEB decision is anticipated in April of 2006.

Revenue Recognition

Distribution revenues attributable to the sale and delivery of electricity reflect actual consumption billed, actual consumption yet to be billed, and an estimate for unbilled consumption. Unbilled revenue that relates to actual consumption unbilled is calculated using preliminary meter reading data and actual billing rates except for the price for energy, which is estimated. Unbilled revenues that relate to energy used by consumers from the last meter reading dates during the period to the end of the year are estimated based on historical consumption. Unbilled revenues included within accounts receivable as at December 31, 2005 amounted to \$33,469 thousand (2004 - \$25,178 thousand). Actual results could differ from estimates of unbilled electricity usage.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Corporate Income and Capital Taxes

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

The Company provides for payments in lieu of corporate income taxes using the taxes payable method, as directed by the OEB. 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. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Hydro One Brampton at that time.

Inter-Company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, including the Company. The Company earns interest on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. The Company is charged interest on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost or net realizable value.

Fixed Assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to major capital construction activities.

Fixed assets in service consist of land and land rights, buildings, distribution equipment, transformers and meters, trucks and equipment, and office and computer equipment.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Depreciation

The capital costs of fixed assets are depreciated on a straight-line basis over their estimated service lives as follows:

	Depreciation Rate
Land rights	2.00%
Buildings	2.00%
Distribution equipment	2.50% - 6.67%
Transformers and meters	4.00%
Trucks and equipment	12.50% - 20.00%
Office and computer equipment	10.00% - 20.00%

In accordance with group depreciation practices, the original cost of normal fixed asset retirements is charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense.

Depreciation rates for fixed assets are subject to periodic review. Changes in depreciation rates arising from such a review are applied over the remaining service life.

Goodwill

Goodwill arose upon the acquisition of the Company by Hydro One and the application of push down accounting resulted in the recognition of contributed surplus. The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require, with any write-down of the carrying value of goodwill being charged to results of operations. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. The Company has determined that goodwill is not impaired.

Deferred Debt Costs

Deferred debt costs represent debt issuance costs transferred from Hydro One based on the Company's share of Hydro One's debt issue amount. Deferred debt costs are amortized on a straight-line basis over the period ending with the maturity of the debt.

Employee Future Benefits

Employee future benefits for all employees of the Company include pension, group life insurance, health care and long-term disability.

The Company accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Employee future benefits other than pension are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Employee future benefit costs are attributed to labour and are charged to operations, maintenance and administration or capitalized as part of the cost of fixed assets.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Province of Ontario.

3. ELECTRICITY CREDITS

Under a new regulation issued in October 2005, Regulated Price Plan customers receive a one-time credit reflecting a lower cost of power than the fixed commodity price between April 1, 2004 and March 31, 2005. In the fourth quarter of 2005, revenue and purchased power costs were each reduced by \$11,474 thousand. The application of the one-time credit did not result in any adjustment to net income in the current or previously reported periods.

4. REGULATORY RECOVERY

On December 9, 2004, the OEB issued a regulatory decision that included an expedited process that allowed local distribution companies to seek approval for future recovery of their regulatory assets, the recovery of which was previously suspended by the *Electricity Pricing, Conservation and Supply Act, 2002*. Prior to the December 9, 2004 decision, due to the uncertainty of future recovery, the Company had ceased attributing interest to its regulatory asset balances. As a result of the decision, the Company recognized an additional recoverable amount in 2004 of \$1,493 thousand within its regulatory asset accounts, primarily associated with these previously unrecognized interest amounts.

5. DEPRECIATION AND AMORTIZATION

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Depreciation of fixed assets in service	13,242	12,648
Amortization of land rights	26	20
Removal costs	42	38
	13,310	12,706

6. FINANCING CHARGES

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Interest on long-term debt	9,939	9,939
Interest expense	33	(8)
Amortization of deferred debt costs	26	26
Interest capitalized on regulatory assets	(458)	(49)
	9,540	9,908

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

7. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Income before provision for PILs	21,722	17,949
Federal and Ontario statutory income tax rate	36.12%	36.12%
Provision for PILs at statutory rate	7,846	6,483
Increase (decrease) resulting from:		
Temporary differences:		
Interim recoveries of regulatory assets	1,344	1,040
Regulatory asset amounts deducted for tax purposes	(966)	(154)
Regulatory recovery	-	(539)
Depreciation and amortization in excess of capital cost allowance	80	24
Employee future benefits other than pension expense in excess of cash payments	54	38
Other	(30)	(194)
Net temporary differences	482	215
Net permanent differences:		
Large corporations tax	260	359
Other	7	(164)
Net permanent differences	267	195
Provision for PILs	8,595	6,893
Effective income tax rate	39.60%	38.40%

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues consistent with the OEB direction to follow the taxes payable method. As at December 31, 2005, future income tax liabilities of \$2,073 thousand (2004 - \$2,555 thousand), based on substantively enacted income tax rates, have not been recorded.

In the absence of rate regulated accounting, the Company's provision for PILs would have been recognized on an accrual basis rather than under the taxes payable method. As a result, the provision for PILs would have been lower by approximately \$482 thousand.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

8. FIXED ASSETS

<i>December 31 (Canadian dollars in thousands)</i>	Fixed Assets in Service	Accumulated Depreciation	Total
2005			
Land and land rights	9,496	140	9,356
Buildings	22,275	5,916	16,359
Distribution equipment	247,180	111,317	135,863
Transformers and meters	91,318	43,068	48,250
Trucks and equipment	9,349	6,075	3,274
Office and computer equipment	4,518	2,742	1,776
	384,136	169,258	214,878
2004			
Land and land rights	9,461	114	9,347
Buildings	21,235	5,477	15,758
Distribution equipment	237,335	102,153	135,182
Transformers and meters	86,896	39,880	47,016
Trucks and equipment	8,377	5,649	2,728
Office and computer equipment	3,367	2,272	1,095
	366,671	155,545	211,126

9. REGULATORY ASSETS

Regulatory assets and liabilities arise as a result of the rate-making process. The Company has recorded the following regulatory assets (see Notes 2 and 4):

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Retail settlement variance accounts	11,450	10,334
Market ready costs	1,396	1,316
Pension costs	1,070	-
Other regulatory assets	1,466	1,058
Regulatory asset recoveries	(6,602)	(2,881)
	8,780	9,827

In the absence of rate regulated accounting, interest of \$458 thousand would not have been accreted on these regulatory assets and financing charges would have been higher by the same amount.

Retail settlement variance accounts

Retail settlement variance accounts consist of amounts deferred under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In the absence of regulatory accounting, such amounts would not have been deferred and revenue would have been lower by \$356 thousand.

Market ready costs

Market ready costs represent transition expenditures associated with the May 1, 2002 opening of the electricity market to competition. These expenditures were deferred in accordance with the OEB's Electricity Distribution Rate Handbook and related guidance.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Pension costs

On March 2, 2005, the OEB approved a deferral account for OMERS pension costs for 2004 and future years, including interest. The OEB noted in its decision that the ultimate disposition of any deferred amounts, and their eligibility for recovery through rates, will be the subject of a future proceeding. In the absence of regulatory accounting, operations maintenance and administration expense would have been higher by \$1,042 thousand.

Regulatory asset recoveries

On March 21, 2005, the OEB approved the Company's request to continue to recover its regulatory asset balances including interest, recognized prior to 2004. These recoveries will be offset against the related assets once final OEB approval is received. Such approval is expected in the second quarter of 2006.

10. DEBT

The current amount payable to Hydro One Brampton Inc. of \$1,599 thousand (2004 - \$1,599 thousand) is a promissory note due on demand without interest.

The long-term debt of \$143,000 thousand (2004 - \$143,000 thousand) is a promissory note payable to Hydro One bearing interest at a rate of 6.95% per annum until maturity on June 1, 2032. The note is subject to redemption or repurchase by the Company before maturity, in whole or in part. On issuance of this promissory note, \$773 thousand of debt costs incurred by Hydro One were transferred to the Company. These debt costs are being amortized over the 30-year term of the note. The unamortized balance at December 31, 2005 was \$669 thousand (2004- \$695 thousand)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of all financial instruments, except long-term debt, approximate fair value. The fair value of long-term debt, based on year-end quoted market prices for the same or similar debt of the same remaining maturities, is provided in the following table:

<i>December 31 (Canadian dollars in thousands)</i>	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	143,000	185,299	143,000	167,859

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2005, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any single customer. As at December 31, 2005, there were no significant balances of accounts receivable due from any single customer.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

12. EMPLOYEE FUTURE BENEFITS

Employees of the Company participate in OMERS, a multi-employer public sector pension fund. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and salary. The Company accounts for its participation as a defined contribution plan. During 2005, the Company contributed \$816 thousand to the plan (2004 - \$788 thousand).

The Company also provides certain medical and life insurance benefits on behalf of its retired employees and their dependents. The Company recognizes these post-retirement costs in the period in which the employees render services. Costs are determined by independent actuaries using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered. The measurement date used to determine the accrued benefit obligation is December 31.

Net periodic post-retirement benefit costs of \$246 thousand (2004 - \$210 thousand) are attributed to labour. In 2005, \$145 thousand (2004 - \$126 thousand) was charged to operations and \$101 thousand (2004 - \$84 thousand) was capitalized as part of the cost of fixed assets.

Information about the Company's post-retirement benefit plan is as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Accrued benefit liability, beginning of year	4,532	4,427
Net periodic post-retirement benefit cost	246	210
Benefits paid	(96)	(105)
Accrued benefit liability, end of year	4,682	4,532

During 2005, the Company had an actuarial loss of \$1,146 thousand as a result of the January 1, 2005 actuarial valuation. The net accumulated unamortized actuarial gain at December 31, 2005 was \$93 thousand (2004 - \$1,309 thousand).

Components of net periodic post-retirement benefit cost are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Current service cost	119	109
Interest cost	197	187
Actuarial loss on benefit obligation	1,146	98
Costs arising in the period	1,462	394
Differences between costs arising in the period and costs recognized in the period in respect of:		
Actuarial gain	(1,216)	(184)
Net periodic post-retirement benefit cost	246	210
Effect of 1% increase in health care cost trends on:		
Accrued benefit obligation, December 31	334	223
Service and interest costs	28	27
Effect of 1% decrease in health care cost trends on:		
Accrued benefit obligation, December 31	(292)	(198)
Service and interest costs	(26)	(22)

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The significant actuarial assumptions used in measuring the accrued benefit obligation are as follows:

	2005	2004
Expected annual remaining service life of employees	14 years	14 years
Discount rate for the expense for the year ended December 31	6.00%	6.25%
Discount rate for accrued benefit obligation as at December 31	5.00%	6.00%
Rate of compensation scale escalation (without merit)	4.00%	4.00%
Rate of increase of long-term supplementary medical costs is 6.30% per annum in 2005 grading down to 4.50% per annum after two years and remaining constant thereafter.	5.40%	6.30%
Rate of increase of prescription drugs is 12.38% per annum in 2005 grading down to 4.50% per annum after nine years and remaining constant thereafter.	11.50%	12.38%
Rate of increase in dental costs 5.90% per annum in 2005 grading down to 4.50% per annum after two years and remaining constant thereafter.	5.20%	5.90%

13. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares and 2,000 shares have been issued to date.

Contributed Surplus

Contributed surplus represents \$60,060 thousand in goodwill recognized upon Hydro One's 2001 purchase and pushed down to the accounts of the Company.

Dividends

Common dividends are declared at the sole discretion of the Company's Board of Directors and are recommended by management based upon results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

Common dividends declared and paid during 2005 were \$nil (2004 - \$9,000 thousand).

14. RELATED PARTY TRANSACTIONS

Hydro One and its subsidiaries, the OEFC, Ontario Power Generation Inc., the Independent Electricity System Operator (IESO) and the Province of Ontario are related parties of the Company. In addition, the OEB is related to the Company by virtue of its status as a Provincial Crown Corporation. Transactions between these parties and the Company were as follows:

In 2005, the Company purchased power from the IESO-administered spot market in the amount of \$280,507 thousand (2004 - \$233,228 thousand).

The Company purchased certain transmission, connection, and administrative services from Hydro One Networks Inc. and Hydro One totaling \$1,664 thousand (2004 - \$1,485 thousand). The Company provided certain transmission and connection services to Hydro One Networks Inc. totaling \$2,042 thousand (2004 - \$2,051 thousand). The Company recorded other rental revenues from Hydro One Networks Inc. of \$228 thousand (2004 - \$43 thousand).

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

During 2005, the Company paid for certain telecommunication services and leased a portion of its facilities and equipment to Hydro One Telecom Inc. In 2005, the Company received a net amount from Hydro One Telecom Inc. of \$158 thousand (2004 - \$104 thousand).

The provision for payments in lieu of corporate income taxes was paid or payable to the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and electricity transmitters. In 2005, the Company incurred \$337 thousand (2004 - \$285 thousand) in OEB fees.

The amounts due to or from related parties as a result of the transactions referred to above are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Accounts receivable	413	235
Accounts payable and accrued charges	(33,356)	(23,961)

Included in accounts payable and accrued charges are amounts owing to the IESO in respect of power purchases of \$29,940 thousand (2004 - \$21,144 thousand).

No common dividends were paid to Hydro One Brampton Inc. in the year (2004 - \$9,000 thousand).

The inter-company demand facility amount of \$12,100 thousand (2004 - \$nil) is due from Hydro One and earns interest based on the average of the bankers' acceptance rate at the beginning of the month, less 0.02%. Net financing charges for 2005 include interest on the facility in the amount of \$21 thousand (2004 \$84 thousand)

As described in Note 10, as at December 31, 2005, long-term debt of \$143,000 thousand was due to Hydro One (2004 - \$143,000 thousand). Net financing charges for 2005 include interest expense on this debt in the amount of \$9,939 thousand (2004 - \$9,939 thousand).

The amount payable to Hydro One Brampton Inc. of \$1,599 thousand (2004 - \$1,599 thousand) is a promissory note due on demand without interest.

15. STATEMENTS OF CASH FLOWS

For the purposes of the Statements of Cash Flows, "cash and cash equivalents" refers to the balances sheet items "cash," "inter-company demand facility" and "bank indebtedness".

The changes in non-cash balances related to operations consists of the following:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Accounts receivable increase	(430)	(9,745)
Materials and supplies increase	(355)	(396)
Accounts payable and accrued charges increase (decrease)	11,829	(30)
Long term accounts payable and accrued liabilities (decrease) increase	(13)	262
Employee future benefits other than pension increase	150	105
	11,181	(9,804)

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

16. CONTINGENCIES

The Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have an adverse effect on the Company's financial position, results of operations or cash flows.

A class action claiming \$500,000 thousand in restitutionary payments, plus interest, was served on Toronto Hydro on November 18, 1998. The action was initiated against the former 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 amounts allowed by law. The Electricity Distributors Association is undertaking the defence of this class action. The Company believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

17. COMMITMENTS

Prudential support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit plus the nominal amount of the parental guarantee. As at December 31, 2005, the Company provided prudential support, using a combination of bank letters of credit of \$2,000 thousand on (2004 - \$7,000 thousand) and parental guarantees of \$75,000 thousand (2004 - \$75,000 thousand).

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Attached Schedule with Total

Line 394 – Amount for line 704

Title	Line 394 – Amount for line 704	
Description		Amount
Deduct OPEB costs capitalized included in Sch013		87,900 00
Removal costs for West Drive		42,379 00
	Total	130,279 00



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SCHEDULE 1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Taxation year end Year Month Day
Hydro One Brampton Networks Inc.		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. 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 13,126,473 A

Add:

Provision for income taxes – current	101	8,594,713	
Amortization of tangible assets	104	13,310,518	
Income or loss for tax purposes – joint ventures or partnerships	109	-1,509	
Charitable donations from Schedule 2	112	360	
Non-deductible meals and entertainment expenses	121	31,682	
Reserves from financial statements – balance at the end of the year	126	11,903,831	
Subtotal of additions		33,839,595	33,839,595

Other additions:

Miscellaneous other additions:

600	Amortization of debt discount	290	25,920	
601	Add back capital tax accrued	291	795,058	
602	Depreciation expensed via OM&A	292	236,715	
603a	Add back computer software expensed for tax			13,696
	Total	293	13,696	
	Subtotal of other additions	199	1,071,389	1,071,389
	Total additions	500	34,910,984	34,910,984

Deduct:

Capital cost allowance from Schedule 8	403	11,157,837	
Cumulative eligible capital deduction from Schedule 10	405	2,458,798	
Reserves from financial statements – balance at the beginning of the year	414	8,017,134	
Subtotal of deductions		21,633,769	21,633,769

Other deductions:

Miscellaneous other deductions:

700	Prospectus & underwriting fees	390	154,606	
701	Deduct actual capital tax per CT23	391	829,705	
702	RSVA	392	1,183,521	
703	Deferred costs	393	1,490,262	
704	Other deductions	394	130,279	
	Subtotal of other deductions	499	3,788,373	3,788,373
	Total deductions	510	25,422,142	25,422,142

Net income (loss) for income tax purposes – enter on line 300 of the T2 return 22,615,315

Canada

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

Net income for tax purposes * multiplied by 75 %	16,961,486	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)	16,961,486	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)	360	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	339	
Deduct: Gifts to Canada, a province, or a territory expired after five taxation years	340	
Gifts to Canada, a province, or a territory at the beginning of the taxation year		
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	2001			
6 th prior year *	2000			
Total				

* These donations expired in the current year.

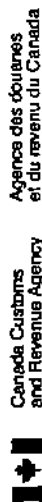
Part 5 – Gifts of certified ecologically sensitive land

	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	2004			
2 nd prior year	2003			
3 rd prior year	2002			
4 th prior year	2001			
5 th prior year	2001			
6 th prior year *	2000			
Total				

* These donations expired in the current year.



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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation Hydro One Brampton Networks Inc.		Business Number	Taxation year end Year Month Day 2005-12-31
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Is the corporation electing under regulation 1101(5g)? **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 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	169,878,703	3,545,535		0	173,424,238	1,772,768	171,651,470	4	0	0	6,866,059	166,558,179
2	36,336,674			0	36,336,674		36,336,674	6	0	0	2,180,200	34,156,474
3	799,384	113,901		0	913,285	56,951	856,334	20	0	0	171,267	742,018
4	1,964,958	1,205,728		18,799	3,151,887	593,465	2,558,422	30	0	0	767,527	2,384,360
5	652,178	856,755		0	1,508,933	428,378	1,080,555	45	0	0	486,250	1,022,683
6	119,359	194,587		0	313,946	97,294	216,652	100	0	0	216,652	97,294
7		11,747,046		0	11,747,046	5,873,523	5,873,523	8	0	0	469,882	11,277,164
Total	209,751,256	17,663,552		18,799	227,396,009	8,822,379	218,573,630				11,157,837	216,238,172

* 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.

T2 SCH 8 (99)

Canada

Hydro One Brampton Networks Inc.
Account/ Business No.: 864867635

Year Ended: 2005-12-31

Sch.08
Supplementary

Subsection 13(7.4) Election

Included in this return is an election under subsection 13(7.4) with respect to amounts that would normally be included in income under paragraph 12(1)(x). The amount in respect of which the election was made, and so was not included in income but was the amount by which the cost of depreciable property was reduced, is \$8,920,998



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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation Hydro One Brampton Networks Inc.	Business Number	Taxation year end Year Month Day 2005-12-31
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This schedule is to be completed by a corporation having one or more of the following:

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

	Name	Country of residence (if other than Canada)	Business Number (Canadian corporation only) (see note 1)	Relationship code (see note 2)	Number of common shares owned	% of common shares owned	Number of preferred shares owned	% of preferred shares owned	Book value of capital stock
	100	200	300	400	500	550	600	650	700
1.	Hydro One Inc.		86999 4731 RC0001	3					
2.	Hydro One Networks Inc.		87086 5821 RC0001	3					
3.	Hydro One Remote Communities Inc.		87083 6269 RC0001	3					
4.	Hydro One Telecom Inc.		86800 1066 RC0001	3					
5.	Hydro One Network Services Inc.		86355 0190 RC0001	3					
6.	Hydro One Telecom Link Limited		88786 7513 RC0001	3					
7.	Hydro One Brampton Inc.		86879 4520 RC0001	1					
8.	Hydro One Lake Erie Link Managemt.		87892 1519 RC0001	3					
9.	Hydro One Lake Erie Link Company		87560 6519 RC0001	3					
10.	Hydro One Delivery Services Inc.		86917 7246 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.

T2 SCH 9(99)

Canada



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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation Hydro One Brampton Networks Inc.	Business Number	Taxation year end Year Month Day 2005-12-31
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- 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	35,099,520	A
Add: Cost of eligible capital property acquired during the taxation year	222	34,894	
Other adjustments	226		
Subtotal (line 222 plus line 226)		34,894	
		$\times 3 / 4 =$	26,171 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		
		$\times 1 / 2 =$	
amount B minus amount C (if negative, enter "0")		26,171	C
Amount transferred on amalgamation or wind-up of subsidiary	224		E
Subtotal (add amounts A, D, and E)	230	35,125,691	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)		$\times 3 / 4 =$	248 J
Cumulative eligible capital balance (amount F minus amount J) (if amount K is negative, enter "0" at line M and proceed to Part 2)		35,125,691	K
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
amount K		35,125,691	
less amount from line 249			
Current year deduction		35,125,691	
		$\times 7.00 \% =$	2,458,798 *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		2,458,798	L
Cumulative eligible capital - Closing balance (amount K minus amount L) (if negative, enter "0")	300	32,666,893	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	400		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				

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SCHEDULE 13

CONTINUITY OF RESERVES

Name of corporation	Business Number	Taxation year end Year Month Day
Hydro One Brampton Networks Inc.		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 OPEB	4,532,000		150,000		4,682,000
2 Legal Claim Provision	268,942			19,541	249,401
3 Allow. for Doubtful Accounts	335,000		35,864		370,864
4 Bill 4 Deferred Revenue	2,881,192		3,720,374		6,601,566
5					
6 0					
7					
Reserves from Section 2 below					
Totals	8,017,134		3,906,238	19,541	11,903,831

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 type="checkbox"/>	110	115			120
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	130	135			140
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	275			280

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.


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SCHEDULE 33
PART 1.3 TAX ON LARGE CORPORATIONS

Name of corporation	Business Number	Taxation year end Year Month Day
Hydro One Brampton Networks Inc.		2005-12-31

- This schedule is for use by corporations (other than financial institutions and insurance corporations) that have Part 1.3 tax payable before deducting surtax credits (line 820 in Part 5). You should also use and file this schedule if you calculate a gross Part 1.3 tax for the purposes of unused surtax credit (line 821 in Part 6) and a current-year unused surtax credit (line 850 in Part 8).
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *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 1.3 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 1.3 tax is payable for a taxation year by a corporation that was:
 - 1) a non-resident-owned investment corporation throughout the year;
 - 2) bankrupt [as defined by subsection 128(3)] at the end of the year;
 - 3) 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);
 - 4) exempt from tax under section 149 throughout the year on all of its taxable income;
 - 5) neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
 - 6) 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 taxation year.
- This schedule may contain changes that had not yet become law at the time of printing.

Complete the following areas to determine the amounts needed to calculate Part 1.3 tax. 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	11,903,823
Capital stock (or members' contributions if incorporated without share capital)	103	51,500,556
Retained earnings	104	31,410,034
Contributed surplus	105	60,059,581
Any other surpluses	106	
Deferred unrealized foreign exchange gains	107	
All loans and advances to the corporation	108	151,223,774
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 in respect of 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

Subtotal 306,117,765

306,117,765 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, to the extent that 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")

190 306,117,765

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 under lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
- Amounts owing to the member or to other corporations that are members of the partnership are not to be included.
- Amounts are determined as 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	
A loan or advance to another corporation (other than a financial institution)	402	12,100,000
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	10,780
Investment allowance for the year	490	12,110,780

Notes:

- Where the corporation has an interest in a partnership or 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 taxation 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)		306,117,765	C
Deduct: Investment allowance for the year (line 490)		12,110,780	D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0")	500	294,006,985	

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)	294,006,985	x	Taxable income earned in Canada	610	22,614,955	=	Taxable capital employed in Canada	690	294,006,985
					22,614,955				

- Notes:
- Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
 - Where a corporation's taxable income for a taxation 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 it carried on 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 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)		E
Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0")	790	

- Notes: 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

Taxable capital employed in Canada (line 690 or 790, whichever applies)	294,006,985	
Deduct: Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations, the amount allocated on Schedule 36)	801	
Excess of taxable capital employed in Canada over capital deduction	811	294,006,985
Line 811 $294,006,985 \times \frac{\text{Number of days in the taxation year before 2004}}{365} \times 0.00225000 =$		F
Line 811 $294,006,985 \times \frac{\text{Number of days in the taxation year in 2004}}{365} \times 0.00200000 =$		G
Line 811 $294,006,985 \times \frac{\text{Number of days in the taxation year in 2005}}{365} \times 0.00175000 =$		514,512 H
Line 811 $294,006,985 \times \frac{\text{Number of days in the taxation year in 2006}}{365} =$		I
Line 811 $294,006,985 \times \frac{\text{Number of days in the taxation year in 2007}}{365} =$		J
Note: The Part 1.3 tax rate is reduced to 0% for the days in the taxation year that are after 2005.		
Subtotal (add amounts F to J)		514,512 K
Where the taxation year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax as follows:		
Amount K $514,512 \times \frac{\text{Number of days in the year (365)}}{365} =$		L
Gross Part 1.3 tax (amount K or L, whichever applies)	820	514,512

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)	294,006,985	M
Deduct: Line 801 above $\times 1/5 =$		N
Excess (amount M minus amount N) (if negative, enter "0")	294,006,985	O
Amount O $294,006,985 \times 0.00225 =$	661,516	P
Where the taxation 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 P $661,516 \times \frac{\text{Number of days in the year (365)}}{365} =$		Q
Gross Part 1.3 tax for purposes of the unused surtax credit (amount P or Q, whichever applies)	821	661,516

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) of the Act 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 R, whichever is less:

a) line 600 from the T2 return a
b) line 700 from the T2 return b R

In any other case, enter amount c or d at line S, whichever is less:

c) line 600 from the T2 return $\frac{253,287}{294,006,985} \times \frac{\text{line 690 of this schedule}}{\text{line 500 of this schedule}} = \frac{294,006,985}{294,006,985} = 253,287$ c
d) line 700 from the T2 return 5,002,427 d 253,287 S

Current-year surtax credit available (amount R or S, whichever applies) **830** 253,287

Part 8 – Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830) 253,287
Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) 661,516

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

Gross Part I.3 tax (line 820) 514,512 T
Deduct:
Current-year surtax credit applied (line 820 or 830, whichever is less) **861** 253,287
Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862**
Subtotal (cannot be more than amount on line 820) 253,287 ▶ 253,287 U
Net Part I.3 tax payable (amount T minus amount U) **870** 261,225
Enter this amount at line 704 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 Reserves from sch (13)

Description	Amount
OPEB	4,682,000 00
AFDA	370,864 00
Legal Liabilities	249,401 00
Regulatory Liabilities	6,601,558 00
Total	11,903,823 00

Attached Schedule with Total

Part 1 – All loans and advances to the corporation

Title Loans and Advances

Description	Amount
ST Deposits (2214) a/c 390000	6,624,774.00
Due to HOBI (FS note 14)	1,599,000.00
Primary Debt (2520) a/c 302000	143,000,000.00
Total	151,223,774.00

Canada Customs
and Revenue AgencyAgence des douanes
et du revenu du Canada

SCHEDULE 36

AGREEMENT AMONG RELATED CORPORATIONS – PART 1.3 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 1.3 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 ☒

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		Business Number (if a corporation is not registered, enter "NR")	Allocation of capital deduction for the year \$	Taxation year end to which this agreement applies* (YYYY/MM/DD)
200		300	400	500
Hydro One Brampton Networks Inc.				
1	Hydro One Inc.	86999 4731 RC0001		
2	Hydro One Networks Inc.	87086 5821 RC0001	50,000,000	
3	Hydro One Remote Communities Inc.	87083 6269 RC0001		
4	Hydro One Telecom Inc.	86800 1066 RC0001		
5	Hydro One Network Services Inc.	86355 0190 RC0001		
6	Hydro One Telecom Link Limited	88786 7513 RC0001		
7	Hydro One Brampton Inc.	86879 4520 RC0001		
8	Hydro One Lake Erie Link Management Inc	87892 1519 RC0001		
9	Hydro One Lake Erie Link Company Inc.	87560 6519 RC0001		
10	Hydro One Delivery Services Inc.	86917 7246 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 Hydro One Brampton Networks Inc.	Business Number	Taxation year end Year Month Day 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.

		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
100		200	300	350	400
1	Hydro One Brampton Inc.	86879 4520 RC0001			100.000
2					
3					
4					
5					
6					
7					
8					
9					
10					



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

2006

CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2003

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

Corporation's Legal Name (Including punctuation) Hydro One Brampton Networks Inc.			Ontario Corporations Tax Account No. (MOF) 1800040														
Mailing Address 175 Sandalwood Parkway, West Brampton ON CA L7A 1E8			This Return covers the Taxation Year Start <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2005</td><td>01</td><td>01</td></tr></table> End <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2005</td><td>12</td><td>31</td></tr></table>			year	month	day	2005	01	01	year	month	day	2005	12	31
year	month	day															
2005	01	01															
year	month	day															
2005	12	31															
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date of Change <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td></td><td></td><td></td></tr></table>			year	month	day				Date of Incorporation or Amalgamation <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2000</td><td>05</td><td>01</td></tr></table>			year	month	day	2000	05	01
year	month	day															
year	month	day															
2000	05	01															
Registered/Head Office Address 175 Sandalwood Parkway, West Brampton ON CA L7A 1E8			Ontario Corporation No. (MGS) 1414330														
Location of Books and Records 175 Sandalwood Parkway, West Brampton ON CA L7A 1E8			Canada Revenue Agency Business No. If applicable, enter														
Name of person to contact regarding this CT23 Return TONY PAUL		Telephone No. (905) 840-6300	Fax No. (905) 840-0967		Jurisdiction Incorporated Ontario												
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MGS) Ontario Canada			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td></td><td></td><td></td></tr></table> Ceased <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td></td><td></td><td></td></tr></table> <input checked="" type="checkbox"/> Not Applicable			year	month	day				year	month	day			
year	month	day															
year	month	day															
Former Corporation Name (Extra-Provincial Corporations only) <input checked="" type="checkbox"/> Not Applicable (MGS)			Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English <input type="checkbox"/> French anglais français														
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) <table border="1"><tr><td></td></tr></table>				Ministry Use 													
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). <input checked="" type="checkbox"/> No Change																	

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)

TONY PAUL

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.

Hydro One Brampton Networks Inc.

Financial Statements

December 31, 2005

AUDITORS' REPORT

To the Shareholder of Hydro One Brampton Networks Inc.:

We have audited the balance sheets of Hydro One Brampton Networks Inc. (the Company) as at December 31, 2005 and December 31, 2004, and the statements of operations, retained earnings and cash flow for the years 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 audits.

We conducted our audits 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 2004, the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 12, 2006

Ernst & Young LLP

Chartered Accountants

HYDRO ONE BRAMPTON NETWORKS INC.

STATEMENTS OF OPERATIONS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Revenues		
Distribution (Note 3)	339,441	285,733
Other (Note 14)	2,739	2,221
	342,180	287,954
Costs		
Purchased power (Notes 3 and 14)	282,797	234,908
Operation, maintenance and administration (Note 14)	14,811	13,976
Depreciation and amortization (Note 5)	13,310	12,706
	310,918	261,590
Regulatory recovery (Note 4)	-	1,493
Income before financing charges and provision for payments in lieu of corporate income taxes	31,262	27,857
Financing charges (Notes 6 and 14)	9,540	9,908
Income before provision for payments in lieu of corporate income taxes	21,722	17,949
Provision for payments in lieu of corporate income taxes (Notes 7 and 14)	8,595	6,893
Net income	13,127	11,056

STATEMENTS OF RETAINED EARNINGS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Retained earnings, January 1	18,284	16,228
Net income	13,127	11,056
Dividends (Notes 13 and 14)	-	(9,000)
Retained earnings, December 31	31,411	18,284

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC. BALANCE SHEETS

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Assets		
Current assets		
Cash	2,125	-
Inter-company demand facility (Note 14)	12,100	-
Accounts receivable (net of allowance for doubtful accounts - \$805 thousand; 2004 - \$756 thousand) (Note 14)	48,768	48,338
Materials and supplies	3,747	3,392
	66,740	51,730
Fixed assets (Note 8)		
Fixed assets in service	384,136	366,671
Less: accumulated depreciation	169,258	155,545
	214,878	211,126
Other long-term assets		
Goodwill (Note 13)	60,060	60,060
Regulatory assets (Note 9)	8,780	9,827
Deferred debt costs (Note 10)	669	695
	69,509	70,582
Total assets	351,127	333,438
Liabilities		
Current liabilities		
Bank indebtedness	-	7,404
Accounts payable and accrued charges (Note 14)	57,781	45,952
Accrued interest	844	844
Due to Hydro One Brampton Inc. (Note 10 and 14)	1,599	1,599
	60,224	55,799
Long-term debt (Notes 10, 11 and 14)	143,000	143,000
Other long-term liabilities		
Long term accounts payable and accrued liabilities	249	262
Employee future benefits other than pension (Note 12)	4,682	4,532
	4,931	4,794
Total liabilities	208,155	203,593
Contingencies and commitments (Notes 16 and 17)		
Shareholder's equity (Note 13)		
Contributed surplus	60,060	60,060
Common shares (authorized: unlimited; issued: 2,000)	51,501	51,501
Retained earnings	31,411	18,284
Total shareholder's equity	142,972	129,845
Total liabilities and shareholder's equity	351,127	333,438

See accompanying notes to financial statements.

On behalf of the Board of Directors:


Tom Parkinson
Chair


Roger Albert
Director

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF CASH FLOWS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Operating activities		
Net income	13,127	11,056
Adjustments for non-cash items:		
Depreciation and amortization (net of removal costs)	13,947	13,209
Change in regulatory assets	1,047	1,159
Amortization of deferred debt costs	26	26
	28,147	25,450
Changes in non-cash balances related to operations <i>(Note 15)</i>	11,181	(9,804)
Net cash from operating activities	39,328	15,646
Investing activities		
Capital expenditures	(17,699)	(15,618)
Net cash used in investing activities	(17,699)	(15,618)
Financing Activities		
Dividends paid	-	(9,000)
Net cash used in financing activities	-	(9,000)
Net change in cash and cash equivalents	21,629	(8,972)
Cash and cash equivalents, January 1	(7,404)	1,568
Cash and cash equivalents, December 31 <i>(Note 15)</i>	14,225	(7,404)

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Hydro One Brampton Networks Inc. (Hydro One Brampton or the Company) was incorporated on April 25, 2000 under the *Business Corporations Act* (Ontario). The Company is a wholly-owned subsidiary of Hydro One Brampton Inc., which in turn is a wholly-owned subsidiary of Hydro One Inc. (Hydro One). The principal business of the Company is the distribution of electricity to customers within the City of Brampton, Ontario. This business is regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

The Company follows the push down basis of accounting for goodwill whereby the goodwill values that arose in the purchase equation when the Company was acquired were "pushed down" to the accounts of the Company.

Rate-setting

The rates of the electricity distribution business of the Company are subject to regulation by the OEB. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that, which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The specific regulatory assets recognized at December 31, 2005 are disclosed in Note 9.

On December 9, 2004, the OEB issued a regulatory decision that included an expedited process that allowed local distribution companies to seek approval for future recovery of regulatory asset balances, plus related interest. As a result of the OEB's decision, the proportion of the Company's regulatory assets subject to potential future OEB disallowance has been significantly reduced. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets into the setting of future rates. If, at some future date, the Company determines that it is no longer probable that the OEB will include a regulatory asset in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

The Company's distribution rates are based on a revenue requirement that includes a rate of return. Current distribution rates are based on a cost of service rate regulation model, which includes a targeted return of 9.88% on deemed common equity. In August 2005, the Company filed a rate application seeking approval for a \$3,000 thousand increase (calculated in reference to the 2004 base year) in the 2006 revenue requirement for the distribution business. This revenue requirement is based on achieving a 9.00% return on deemed equity, consistent with the OEB's guidance for setting 2006 rates. A written hearing commenced in December 2005 and an OEB decision is anticipated in April of 2006.

Revenue Recognition

Distribution revenues attributable to the sale and delivery of electricity reflect actual consumption billed, actual consumption yet to be billed, and an estimate for unbilled consumption. Unbilled revenue that relates to actual consumption unbilled is calculated using preliminary meter reading data and actual billing rates except for the price for energy, which is estimated. Unbilled revenues that relate to energy used by consumers from the last meter reading dates during the period to the end of the year are estimated based on historical consumption. Unbilled revenues included within accounts receivable as at December 31, 2005 amounted to \$33,469 thousand (2004 - \$25,178 thousand). Actual results could differ from estimates of unbilled electricity usage.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Corporate Income and Capital Taxes

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

The Company provides for payments in lieu of corporate income taxes using the taxes payable method, as directed by the OEB. 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. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Hydro One Brampton at that time.

Inter-Company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, including the Company. The Company earns interest on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. The Company is charged interest on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost or net realizable value.

Fixed Assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to major capital construction activities.

Fixed assets in service consist of land and land rights, buildings, distribution equipment, transformers and meters, trucks and equipment, and office and computer equipment.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

Depreciation

The capital costs of fixed assets are depreciated on a straight-line basis over their estimated service lives as follows:

	Depreciation Rate
Land rights	2.00%
Buildings	2.00%
Distribution equipment	2.50% - 6.67%
Transformers and meters	4.00%
Trucks and equipment	12.50% - 20.00%
Office and computer equipment	10.00% - 20.00%

In accordance with group depreciation practices, the original cost of normal fixed asset retirements is charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense.

Depreciation rates for fixed assets are subject to periodic review. Changes in depreciation rates arising from such a review are applied over the remaining service life.

Goodwill

Goodwill arose upon the acquisition of the Company by Hydro One and the application of push down accounting resulted in the recognition of contributed surplus. The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require, with any write-down of the carrying value of goodwill being charged to results of operations. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. The Company has determined that goodwill is not impaired.

Deferred Debt Costs

Deferred debt costs represent debt issuance costs transferred from Hydro One based on the Company's share of Hydro One's debt issue amount. Deferred debt costs are amortized on a straight-line basis over the period ending with the maturity of the debt.

Employee Future Benefits

Employee future benefits for all employees of the Company include pension, group life insurance, health care and long-term disability.

The Company accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Employee future benefits other than pension are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Employee future benefit costs are attributed to labour and are charged to operations, maintenance and administration or capitalized as part of the cost of fixed assets.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Province of Ontario.

3. ELECTRICITY CREDITS

Under a new regulation issued in October 2005, Regulated Price Plan customers receive a one-time credit reflecting a lower cost of power than the fixed commodity price between April 1, 2004 and March 31, 2005. In the fourth quarter of 2005, revenue and purchased power costs were each reduced by \$11,474 thousand. The application of the one-time credit did not result in any adjustment to net income in the current or previously reported periods.

4. REGULATORY RECOVERY

On December 9, 2004, the OEB issued a regulatory decision that included an expedited process that allowed local distribution companies to seek approval for future recovery of their regulatory assets, the recovery of which was previously suspended by the *Electricity Pricing, Conservation and Supply Act, 2002*. Prior to the December 9, 2004 decision, due to the uncertainty of future recovery, the Company had ceased attributing interest to its regulatory asset balances. As a result of the decision, the Company recognized an additional recoverable amount in 2004 of \$1,493 thousand within its regulatory asset accounts, primarily associated with these previously unrecognized interest amounts.

5. DEPRECIATION AND AMORTIZATION

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Depreciation of fixed assets in service	13,242	12,648
Amortization of land rights	26	20
Removal costs	42	38
	13,310	12,706

6. FINANCING CHARGES

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Interest on long-term debt	9,939	9,939
Interest expense	33	(8)
Amortization of deferred debt costs	26	26
Interest capitalized on regulatory assets	(458)	(49)
	9,540	9,908

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

7. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Income before provision for PILs	21,722	17,949
Federal and Ontario statutory income tax rate	36.12%	36.12%
Provision for PILs at statutory rate	7,846	6,483
Increase (decrease) resulting from:		
Temporary differences:		
Interim recoveries of regulatory assets	1,344	1,040
Regulatory asset amounts deducted for tax purposes	(966)	(154)
Regulatory recovery	-	(539)
Depreciation and amortization in excess of capital cost allowance	80	24
Employee future benefits other than pension expense in excess of cash payments	54	38
Other	(30)	(194)
Net temporary differences	482	215
Net permanent differences:		
Large corporations tax	260	359
Other	7	(164)
Net permanent differences	267	195
Provision for PILs	8,595	6,893
Effective income tax rate	39.60%	38.40%

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues consistent with the OEB direction to follow the taxes payable method. As at December 31, 2005, future income tax liabilities of \$2,073 thousand (2004 - \$2,555 thousand), based on substantively enacted income tax rates, have not been recorded.

In the absence of rate regulated accounting, the Company's provision for PILs would have been recognized on an accrual basis rather than under the taxes payable method. As a result, the provision for PILs would have been lower by approximately \$482 thousand.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

8. FIXED ASSETS

<i>December 31 (Canadian dollars in thousands)</i>	Fixed Assets in Service	Accumulated Depreciation	Total
2005			
Land and land rights	9,496	140	9,356
Buildings	22,275	5,916	16,359
Distribution equipment	247,180	111,317	135,863
Transformers and meters	91,318	43,068	48,250
Trucks and equipment	9,349	6,075	3,274
Office and computer equipment	4,518	2,742	1,776
	384,136	169,258	214,878
2004			
Land and land rights	9,461	114	9,347
Buildings	21,235	5,477	15,758
Distribution equipment	237,335	102,153	135,182
Transformers and meters	86,896	39,880	47,016
Trucks and equipment	8,377	5,649	2,728
Office and computer equipment	3,367	2,272	1,095
	366,671	155,545	211,126

9. REGULATORY ASSETS

Regulatory assets and liabilities arise as a result of the rate-making process. The Company has recorded the following regulatory assets (see Notes 2 and 4):

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Retail settlement variance accounts	11,450	10,334
Market ready costs	1,396	1,316
Pension costs	1,070	-
Other regulatory assets	1,466	1,058
Regulatory asset recoveries	(6,602)	(2,881)
	8,780	9,827

In the absence of rate regulated accounting, interest of \$458 thousand would not have been accreted on these regulatory assets and financing charges would have been higher by the same amount.

Retail settlement variance accounts

Retail settlement variance accounts consist of amounts deferred under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. In the absence of regulatory accounting, such amounts would not have been deferred and revenue would have been lower by \$356 thousand.

Market ready costs

Market ready costs represent transition expenditures associated with the May 1, 2002 opening of the electricity market to competition. These expenditures were deferred in accordance with the OEB's Electricity Distribution Rate Handbook and related guidance.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Pension costs

On March 2, 2005, the OEB approved a deferral account for OMERS pension costs for 2004 and future years, including interest. The OEB noted in its decision that the ultimate disposition of any deferred amounts, and their eligibility for recovery through rates, will be the subject of a future proceeding. In the absence of regulatory accounting, operations maintenance and administration expense would have been higher by \$1,042 thousand.

Regulatory asset recoveries

On March 21, 2005, the OEB approved the Company's request to continue to recover its regulatory asset balances including interest, recognized prior to 2004. These recoveries will be offset against the related assets once final OEB approval is received. Such approval is expected in the second quarter of 2006.

10. DEBT

The current amount payable to Hydro One Brampton Inc. of \$1,599 thousand (2004 - \$1,599 thousand) is a promissory note due on demand without interest.

The long-term debt of \$143,000 thousand (2004 - \$143,000 thousand) is a promissory note payable to Hydro One bearing interest at a rate of 6.95% per annum until maturity on June 1, 2032. The note is subject to redemption or repurchase by the Company before maturity, in whole or in part. On issuance of this promissory note, \$773 thousand of debt costs incurred by Hydro One were transferred to the Company. These debt costs are being amortized over the 30-year term of the note. The unamortized balance at December 31, 2005 was \$669 thousand (2004- \$695 thousand)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of all financial instruments, except long-term debt, approximate fair value. The fair value of long-term debt, based on year-end quoted market prices for the same or similar debt of the same remaining maturities, is provided in the following table:

<i>December 31 (Canadian dollars in thousands)</i>	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	143,000	185,299	143,000	167,859

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2005, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any single customer. As at December 31, 2005, there were no significant balances of accounts receivable due from any single customer.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

12. EMPLOYEE FUTURE BENEFITS

Employees of the Company participate in OMERS, a multi-employer public sector pension fund. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and salary. The Company accounts for its participation as a defined contribution plan. During 2005, the Company contributed \$816 thousand to the plan (2004 - \$788 thousand).

The Company also provides certain medical and life insurance benefits on behalf of its retired employees and their dependents. The Company recognizes these post-retirement costs in the period in which the employees render services. Costs are determined by independent actuaries using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered. The measurement date used to determine the accrued benefit obligation is December 31.

Net periodic post-retirement benefit costs of \$246 thousand (2004 - \$210 thousand) are attributed to labour. In 2005, \$145 thousand (2004 - \$126 thousand) was charged to operations and \$101 thousand (2004 - \$84 thousand) was capitalized as part of the cost of fixed assets.

Information about the Company's post-retirement benefit plan is as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Accrued benefit liability, beginning of year	4,532	4,427
Net periodic post-retirement benefit cost	246	210
Benefits paid	(96)	(105)
Accrued benefit liability, end of year	4,682	4,532

During 2005, the Company had an actuarial loss of \$1,146 thousand as a result of the January 1, 2005 actuarial valuation. The net accumulated unamortized actuarial gain at December 31, 2005 was \$93 thousand (2004 - \$1,309 thousand).

Components of net periodic post-retirement benefit cost are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Current service cost	119	109
Interest cost	197	187
Actuarial loss on benefit obligation	1,146	98
Costs arising in the period	1,462	394
Differences between costs arising in the period and costs recognized in the period in respect of:		
Actuarial gain	(1,216)	(184)
Net periodic post-retirement benefit cost	246	210
Effect of 1% increase in health care cost trends on:		
Accrued benefit obligation, December 31	334	223
Service and interest costs	28	27
Effect of 1% decrease in health care cost trends on:		
Accrued benefit obligation, December 31	(292)	(198)
Service and interest costs	(26)	(22)

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The significant actuarial assumptions used in measuring the accrued benefit obligation are as follows:

	2005	2004
Expected annual remaining service life of employees	14 years	14 years
Discount rate for the expense for the year ended December 31	6.00%	6.25%
Discount rate for accrued benefit obligation as at December 31	5.00%	6.00%
Rate of compensation scale escalation (without merit)	4.00%	4.00%
Rate of increase of long-term supplementary medical costs is 6.30% per annum in 2005 grading down to 4.50% per annum after two years and remaining constant thereafter.	5.40%	6.30%
Rate of increase of prescription drugs is 12.38% per annum in 2005 grading down to 4.50% per annum after nine years and remaining constant thereafter.	11.50%	12.38%
Rate of increase in dental costs 5.90% per annum in 2005 grading down to 4.50% per annum after two years and remaining constant thereafter.	5.20%	5.90%

13. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares and 2,000 shares have been issued to date.

Contributed Surplus

Contributed surplus represents \$60,060 thousand in goodwill recognized upon Hydro One's 2001 purchase and pushed down to the accounts of the Company.

Dividends

Common dividends are declared at the sole discretion of the Company's Board of Directors and are recommended by management based upon results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

Common dividends declared and paid during 2005 were \$nil (2004 - \$9,000 thousand).

14. RELATED PARTY TRANSACTIONS

Hydro One and its subsidiaries, the OEFC, Ontario Power Generation Inc., the Independent Electricity System Operator (IESO) and the Province of Ontario are related parties of the Company. In addition, the OEB is related to the Company by virtue of its status as a Provincial Crown Corporation. Transactions between these parties and the Company were as follows:

In 2005, the Company purchased power from the IESO-administered spot market in the amount of \$280,507 thousand (2004 - \$233,228 thousand).

The Company purchased certain transmission, connection, and administrative services from Hydro One Networks Inc. and Hydro One totaling \$1,664 thousand (2004 - \$1,485 thousand). The Company provided certain transmission and connection services to Hydro One Networks Inc. totaling \$2,042 thousand (2004 - \$2,051 thousand). The Company recorded other rental revenues from Hydro One Networks Inc. of \$228 thousand (2004 - \$43 thousand).

HYDRO ONE BRAMPTON NETWORKS INC. **NOTES TO FINANCIAL STATEMENTS (continued)**

During 2005, the Company paid for certain telecommunication services and leased a portion of its facilities and equipment to Hydro One Telecom Inc. In 2005, the Company received a net amount from Hydro One Telecom Inc. of \$158 thousand (2004 - \$104 thousand).

The provision for payments in lieu of corporate income taxes was paid or payable to the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and electricity transmitters. In 2005, the Company incurred \$337 thousand (2004 - \$285 thousand) in OEB fees.

The amounts due to or from related parties as a result of the transactions referred to above are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2005	2004
Accounts receivable	413	235
Accounts payable and accrued charges	(33,356)	(23,961)

Included in accounts payable and accrued charges are amounts owing to the IESO in respect of power purchases of \$29,940 thousand (2004 - \$21,144 thousand).

No common dividends were paid to Hydro One Brampton Inc. in the year (2004 - \$9,000 thousand).

The inter-company demand facility amount of \$12,100 thousand (2004 - \$nil) is due from Hydro One and earns interest based on the average of the bankers' acceptance rate at the beginning of the month, less 0.02%. Net financing charges for 2005 include interest on the facility in the amount of \$21 thousand (2004 \$84 thousand)

As described in Note 10, as at December 31, 2005, long-term debt of \$143,000 thousand was due to Hydro One (2004 - \$143,000 thousand). Net financing charges for 2005 include interest expense on this debt in the amount of \$9,939 thousand (2004 - \$9,939 thousand).

The amount payable to Hydro One Brampton Inc. of \$1,599 thousand (2004 - \$1,599 thousand) is a promissory note due on demand without interest.

15. STATEMENTS OF CASH FLOWS

For the purposes of the Statements of Cash Flows, "cash and cash equivalents" refers to the balances sheet items "cash," "inter-company demand facility" and "bank indebtedness".

The changes in non-cash balances related to operations consists of the following:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2005	2004
Accounts receivable increase	(430)	(9,745)
Materials and supplies increase	(355)	(396)
Accounts payable and accrued charges increase (decrease)	11,829	(30)
Long term accounts payable and accrued liabilities (decrease) increase	(13)	262
Employee future benefits other than pension increase	150	105
	11,181	(9,804)

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

16. CONTINGENCIES

The Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have an adverse effect on the Company's financial position, results of operations or cash flows.

A class action claiming \$500,000 thousand in restitutionary payments, plus interest, was served on Toronto Hydro on November 18, 1998. The action was initiated against the former 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 amounts allowed by law. The Electricity Distributors Association is undertaking the defence of this class action. The Company believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

17. COMMITMENTS

Prudential support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit plus the nominal amount of the parental guarantee. As at December 31, 2005, the Company provided prudential support, using a combination of bank letters of credit of \$2,000 thousand on (2004 - \$7,000 thousand) and parental guarantees of \$75,000 thousand (2004 - \$75,000 thousand).

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Hydro One Brampton Networks Inc.

1800040

2005-12-31

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

(nearest percent)

100 %

- 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

Electricity Distrib

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	22,615,315
Subtract: Charitable donations		-		1	360
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	
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	
	From 715				
Net capital losses (page 16)	x inclusion rate			714	
	50.000000%	=			
Farm losses		-	From	724	
Restricted farm losses		-	From	734	
Limited partnership losses		-	From	754	
Taxable Income (Non-capital loss)		=		10	22,614,955
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	22,614,955

Taxable Income

From	10 (or 20 if applicable)	22,614,955	x	30	100.0000%	x	12.5%	x	33	÷	73	365	=	+	29	
					Ontario Allocation											
From	10 (or 20 if applicable)	22,614,955	x	30	100.0000%	x	14%	x	34	÷	73	365	=	+	32	3,166,094
					Ontario Allocation											
Income Tax Payable (before deduction of tax credits)	29 + 32												=	40	3,166,094	

Number of Days in Taxation Year

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
33	365

Days after Dec. 31, 2003	Total Days
34	365

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	22,615,315
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+	51	22,614,955	
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		
	=		22,614,955	54 22,614,955
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	Days after Dec. 31, 2002 and before Jan. 1, 2004	31	÷	365	=	+	48			
400,000 x	Days after Dec. 31, 2003	34	÷	365	=	+	47	400,000		
Business Limit for Ontario purposes	48 + 47	=	44	400,000	x	48	100.0000%	=	45	400,000
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			
Calculation of IDSBC Rate	7 %	x	Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	= + 89
			31	73 365	
	8.5 %	x	Days after Dec. 31, 2003	Total Days	
			34	365 73 365	= + 90 8.5000
IDSBC Rate for Taxation Year	89 + 90				= 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 22,614,955

If you are a member of an associated group (X) 81 ☒ (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
See schedule			+ 82
			+ 83
			+ 84
Aggregate Taxable Income	80 + 82 + 83 + 84, etc.		= 85 22,614,955

		Number of Days in Taxation Year			
320,000	x	Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	= + 115	
		31	73 365		
400,000	x	Days after Dec. 31, 2003	Total Days	= + 116	400,000
		34	365 73 365		
		115 + 116		=	400,000
(If negative, enter nil)					- 114 400,000
					= 86 22,214,955

		Number of Days in Taxation Year			
Calculation of Specified Rate for Surtax	4.6670 %	x	Days after Dec. 31, 2002	Total Days	= + 97 4.6670
			38	365 73 365	
	From 86	22,214,955	x	From 97	4.6670 % = 87 1,036,772
	From 87	1,036,772	x	From 60	400,000 ÷ From 114 400,000 = 88 1,036,772
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

DOLLARS ONLY

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

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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	120	
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		
From 100 34,000 ÷ From 30 100.0000% + From 78 8.5000% = 121	400,000	
*Ontario Allocation		
Lesser of 56 or 121	122	400,000
120 - 56 + 122	130	
Taxable Income	From 10	22,614,955
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 22,614,955 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	22,614,955

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			
143	X From 30 100.0000% X 2% X 34 ÷ 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 3,166,094

continued on Page 7

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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 **5820** 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.* Name of Production **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.*Eligible Credit From **6598** CT23 Schedule 115 *(Attach Schedule 115)*No. of Graduates From **6596****194** _____+ **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.*Eligible Credit From **5898** CT23 Schedule 114 *(Attach Schedule 114)*No. of Apprentices From **5896****202** _____+ **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** **3,166,094** _____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.

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Total Assets of the corporation - - - - - + **240** 351,094,127 .
 Total Revenue of the corporation - - - - - + **241** 342,180,256 .

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.	- - - - -	- - - - -	= 249 351,094,127 .	- - - - -
Aggregate Total Revenue 241 + 244 + 246 + 248 , etc.	- - - - -	- - - - -	- - - - -	= 250 342,180,256 .

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** 21,721,186 . X From **30** 100.0000 % X 4 % = **276** 868,847 .
 If negative, enter zero Ontario Allocation

Subtract: Foreign Tax Credit for CMT purposes (Attach Schedule) - - - - - **277** .

Subtract: Income Tax - - - - - From **190** 3,166,094 .

Net CMT Payable (If negative, enter Nil on Page 17.) - - - - - = **280** -2,297,247 .

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** .

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) - - - - - + From **190** 3,166,094 .

Gross CMT Payable - - - - - + From **276** 868,847 .

Subtract: Foreign Tax Credit for CMT purposes - - - - - From **277** .

If **276** - **277** is negative, enter Nil in **290** = 868,847 .

Income Tax eligible for CMT Credit - - - - - = **300** 2,297,247 .

B. Income Tax (after deduction of specified credits) - - - - - + From **230** 3,166,094 .

Subtract: CMT credit used to reduce income taxes - - - - - **310** .

Income Tax - - - - - = **320** 3,166,094 .
 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** .

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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	51,500,556.
Retained earnings (if deficit, deduct) (Int.B. 3012R)		+ 351	31,410,034.
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)		+ 352	60,059,581.
Loans and advances (Attach schedule) (Int.B. 3013R)		+ 353	151,223,774.
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	.
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	11,903,821.
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)		+ 362	.
Subtotal		= 370	306,097,766.
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)		- 371	18,845,477.
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	287,252,289.
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	287,252,289.

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	.
Loans and advances to unrelated corporations		+ 405	.
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)		+ 406	12,100,000.
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)		+ 407	10,780.
Total Eligible Investments		= 410	12,110,780.

continued on Page 10

Total Assets (Int.B. 3015R)

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Total Assets per balance sheet		+	420	351,125,753
Mortgages or other liabilities deducted from assets		+	421	
Share of partnership(s)/joint venture(s) total assets (Attach schedule)		+	422	22,374
Subtract: Investment in partnership(s)/joint venture(s)		-	423	54,000
Total Assets as adjusted		=	430	351,094,127
Amounts in 360 and 361 (if deducted from assets)		+	440	
Subtract: Amounts in 371, 372 and 381		-	441	18,845,477
Subtract: Appraisal surplus if booked		-	442	
Add or Subtract: Other adjustments (specify on an attached schedule)		±	443	
Total Assets		=	450	332,248,650

Investment Allowance (410 ÷ 450) × 390	Not to exceed	410	=	460	10,470,620
Taxable Capital 390 - 460			=	470	276,781,669

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)		480	342,180,256
Total Assets (as adjusted)	From	430	351,094,127

Calculation of Capital Tax for all Corporations except Financial Institutions*Note: This version (2006) of the CT23 may only be used for a taxation year that commenced after December 31, 2003.**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 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**Calculation of Taxable Capital Deduction (TCD)**

Number of Days in Taxation Year				
Days before Jan. 1, 2005	Total Days			
5,000,000 × 35 ÷ 73	365	=	+	500
Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days			
7,500,000 × 38 ÷ 73	365	=	+	501
10,000,000 × 37 ÷ 73	365	=	+	502
Taxable Capital Deduction (TCD) 500 + 501 + 502		=	503	7,500,000

SECTION C

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

- C1.** If 430 and 480 on page 10 are both \$3,000,000 or less, enter NIL in 550 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.

$$\begin{aligned}
 &+ \text{From } 470 \\
 &- \text{From } 503 \\
 &= 471 \times \text{From } 30 \times \frac{100,000}{365} \% \times 0.3 \% \times \frac{555}{365} = + 523
 \end{aligned}$$

Ontario Allocation Days in taxation year 365 (366 if leap year)

Transfer to 543 on page 12 and complete the return from that point

continued on Page 11

If floating taxation year, refer to Guide.

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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 ☐ 470 276,781,669.

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 9,446,591,442.+ ☐ 532 .+ ☐ 533 .Aggregate Taxable Capital ☐ 470 + ☐ 531 + ☐ 532 + ☐ 533, etc.= ☐ 540 9,723,373,111.

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 ☐ 470 276,781,669. ÷ From ☐ 540 9,723,373,111. × From ☐ 503 7,500,000. = ☐ 541 213,492.

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

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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.)

$$\text{565} \times 0.6\% \times \text{From } \text{30} \times \frac{\text{Days in taxation year}}{365} \times \frac{100.0000\%}{\text{Ontario Allocation}} \times \text{555} \div \text{365} \times \text{365 (366 if leap year)} = + \text{569}$$

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1

$$\text{570} \times \text{571} \times \text{From } \text{30} \times \frac{\text{Days in taxation year}}{365} \times \frac{100.0000\%}{\text{Ontario Allocation}} \times \text{555} \div \text{365} \times \text{365 (366 if leap year)} = + \text{574}$$

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount

Capital Tax Rate (Refer to Guide)

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 **588** and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in **588**.)

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

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**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 22,615,315.
Transfer to Page 15

Add:

Federal capital cost allowance	+ 601	11,157,837.
Federal cumulative eligible capital deduction	+ 602	2,458,798.
Ontario taxable capital gain	+ 603	.
Federal non-allowable reserves, Balance beginning of year	+ 604	8,017,134.
Federal allowable reserves, Balance end of year	+ 605	.
Ontario non-allowable reserves, Balance end of year	+ 606	11,903,831.
Ontario allowable reserves, Balance beginning of year	+ 607	.
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	.
All 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

Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days
 612 × 5 / 12.5 × 33 ÷ 73 365 = + 633

Days after Dec. 31, 2003 Total Days
 612 × 5 / 14 × 34 ÷ 73 365 = + 634

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

Federal Scientific Research Expenses claimed in year from line 480 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 = 33,537,600. 640 33,537,600.
Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	+ 650	11,157,837.
Ontario cumulative eligible capital deduction	+ 651	2,458,798.
Federal taxable capital gain	+ 652	.
Ontario non-allowable reserves, Balance beginning of year	+ 653	8,017,134.
Ontario allowable reserves, Balance end of year	+ 654	.
Federal non-allowable reserves, Balance end of year	+ 655	11,903,831.
Federal allowable reserves, Balance beginning of year	+ 656	.
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 33,537,600.
Transfer to Page 15

continued on Page 15

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**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 \pm **600** 22,615,315 .

Total of Additions on page 14 - - - - - From $=$ **640** 33,537,600 .

Sub Total of deductions on page 14 - - - - - From $=$ **681** 33,537,600 .

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:

Gross-up of CCA

$$\left[\begin{array}{l} \text{From } \mathbf{662} \text{ .} \\ \times \\ \text{From } \mathbf{30} \end{array} \right] \times \frac{100}{100.0000} - \text{From } \mathbf{662} \text{ .} = \mathbf{663} \text{ .}$$

Ontario Allocation

Workplace Child Care Tax Incentive (WCCT)

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

Qualifying expenditures: $\left[\begin{array}{l} \mathbf{665} \text{ .} \\ \times 30\% \\ \text{From } \mathbf{30} \end{array} \right] \times \frac{100}{100.0000} = \mathbf{666} \text{ .}$

Ontario allocation

Workplace Accessibility Tax Incentive (WATI)

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

Qualifying expenditures: $\left[\begin{array}{l} \mathbf{667} \text{ .} \\ \times 100\% \\ \text{From } \mathbf{30} \end{array} \right] \times \frac{100}{100.0000} = \mathbf{668} \text{ .}$

Ontario allocation

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)

Qualifying expenditures: $\left[\begin{array}{l} \mathbf{670} \text{ .} \\ \times 30\% \\ \text{From } \mathbf{30} \end{array} \right] \times \frac{100}{100.0000} = \mathbf{671} \text{ .}$

Ontario allocation

Educational Technology Tax Incentive (ETTI)

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

Qualifying expenditures: $\left[\begin{array}{l} \mathbf{672} \text{ .} \\ \times 15\% \\ \text{From } \mathbf{30} \end{array} \right] \times \frac{100}{100.0000} = \mathbf{673} \text{ .}$

Ontario allocation

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** $=$ 33,537,600 . **680** 33,537,600 .

Net income (loss) for Ontario Purposes **600** $+$ **640** $-$ **680** $=$ **690** 22,615,315 .

Transfer to Page 4

Continuity of Losses Carried Forward

DOLLARS ONLY

	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)	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)	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	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 1997-07-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1998-07-31	818 (9)	881 (9)		851	871
802 7th preceding taxation year 1999-07-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2000-07-31	820	830	840	853	873
804 5th preceding taxation year 2001-07-31	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	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	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.

Hydro One Brampton Networks Inc.

1800040

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:
 - 1) the first day of the taxation year after the loss year,
 - 2) the day on which the corporation's return for the loss year is delivered to the Minister, or
 - 3) 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)				
Taxation Year Ending year month day				
i) 3 rd preceding	901 2002-12-31	921	931	941
ii) 2 nd preceding	902 2003-12-31	922	932	942
iii) 1 st preceding	903 2004-12-31	923	933	943
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	- - - - - + From 230 or 320	3,166,094.
Corporate Minimum Tax	- - - - - + From 280	
Capital Tax	- - - - - + From 550	829,705.
Premium Tax	- - - - - + From 590	
Total Tax Payable	- - - - - = 950	3,995,799.
Subtract: Payments	- - - - - - 960	4,331,304.
Capital Gains Refund (s.48)	- - - - - - 965	
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - - - 985	
Specified Tax Credits (Refer to Guide)	- - - - - - 955	
Other, specify	- - - - - -	
Balance	- - - - - = 970	-335,505.
If payment due	- - - - - Enclosed * 990	
If overpayment: Refund (Refer to Guide)	- - - - - = 975	335,505.
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)

TONY PAUL

Title

CONTROLLER

Full Residence Address

910 Melton Drive

Mississauga

ON CA L4Y 1K8

Signature

Date

2006-06-21

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

Attached Schedule with Total

Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)

Title Reserves from sch (13)

Description	Amount
OPEB	4,682,000|00
AFDA	370,864|00
Legal Liabilities	249,401|00
RSVA	6,601,556|00
Total	11,903,821|00

Attached Schedule with Total

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

Title NBV over UCC

Description	Amount
NBV per F/S	214,877,549 00
Less: Land	-8,191,402 00
UCC	-216,238,172 00
NBV - Goodwill (UCC bump up at acqn.)	60,059,581 00
CEC	-32,666,893 00
25% of original CEC (58,882,890+16,172)	-14,724,766 00
25% of ECE addition - 2002 (28,012)	-7,003 00
25% of ECE addition - 2003 (320912)	-80,228 00
25% of ECE addition - 2004 (542,406)	-135,602 00
25% of ECE addition - 2005 (34,894)	-8,724 00
Regulatory Assets deducted for tax purposes	12,299,646 00
Deferred Debts cost - Accounting	669,350 00
Undeducted def. debt cost - tax	-90,055 00
Market Ready deducted for tax	3,082,196 00
Total	18,845,477 00

Corporate Minimum Tax (CMT)
CT23 Schedule 101

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Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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] 13,126,473.

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]
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 = [2110]

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

Provision for current taxes / cost of current income taxes + [2111] 8,594,713.
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 = 8,594,713. + [2116] 8,594,713.

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] 21,721,186.

** 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] 21,721,186.

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] 21,721,186.

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

CT23 Schedule 101

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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	=		2207	.....
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	=		2213	.....
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 s.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 2214 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 1997-07-31	2260	2280
2241	8th preceding taxation year 1998-07-31	2261	2281
2242	7th preceding taxation year 1999-07-31	2262	2282
2243	6th preceding taxation year 2000-07-31	2263	2283
2244	5th preceding taxation year 2001-07-31	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

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Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) + 2301 []

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 []

Adjustments (Attach schedule) + 2332 []

CMT Credit Carryover available 2330 ± 2332 = 2333 []

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 []

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 1997-07-31	2360	2380
2341	8th preceding taxation year 1998-07-31	2361	2381
2342	7th preceding taxation year 1999-07-31	2362	2382
2343	6th preceding taxation year 2000-07-31	2363	2383
2344	5th preceding taxation year 2001-07-31	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	2388
2349	Current taxation year 2005-12-31	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 Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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CMT Losses Carried Forward Workchart

(i) Continuity of Pre-1994 CMT Losses

	Corporation's Pre-1994 Loss	Predecessors' Pre-1994 Loss Amalgamation	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	1996-07-31					
9th Prior Year	1997-07-31					
8th Prior Year	1998-07-31					
7th Prior Year	1999-07-31					
6th Prior Year	2000-07-31					
5th Prior Year	2001-07-31					
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
1996-07-31						
1997-07-31						
1998-07-31						
1999-07-31						
2000-07-31						
2001-07-31						
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 Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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
1996-07-31						
1997-07-31						
1998-07-31						
1999-07-31						
2000-07-31						
2001-07-31						
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 Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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CMT Credit Carryovers Workchart

Filing Corporation

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1996-07-31					
9th Prior Year	1997-07-31					
8th Prior Year	1998-07-31					
7th Prior Year	1999-07-31					
6th Prior Year	2000-07-31					
5th Prior Year	2001-07-31					
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

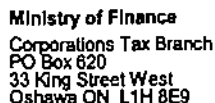
Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-07-31						
1997-07-31						
1998-07-31						
1999-07-31						
2000-07-31						
2001-07-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						

Predecessor Corporations Only – Wind-Up

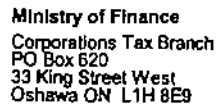
Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1996-07-31						
1997-07-31						
1998-07-31						
1999-07-31						
2000-07-31						
2001-07-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
Total						



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2005-12-31

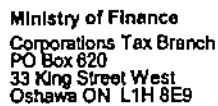
CORPORATE TAXPREP - 2006 V.1 Page 1 of 1



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2005-12-31

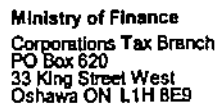
(includes accounts payable to related parties outstanding at the taxation year end for 120 days or more, and accounts payable to non-related parties outstanding for 365 days or more at the taxation year end)

CORPORATE TAXPREP - 2006 V.1 Page 1 of 1



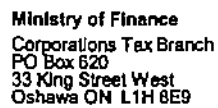
Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2005-12-31

CORPORATE TAXPREP - 2006 V.1 Page 1 of 1



Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2005-12-31

CORPORATE TAXPREP - 2006 V.1 Page 1 of 1

**Total Assets - Other Adjustments**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2005-12-31

Add or Subtract: Other Adjustments
(Provide an Itemized Listing)

[illegible]

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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- 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	+	360	E
Subtotal D + E	=	360	F
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	–		G
Total donations available C + F – G	=	360	H
Deduct: Amount applied against taxable income (amount U, Part 2)	–	360	U
Charitable donations closing balance	=		I

Part 2 – Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75% = **16,961,486** 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 **R** = **S**

Maximum deduction allowable J + S = **16,961,486** T

Claim for charitable donations (not exceeding the lesser of H from Part 1, T and net income for tax purposes) **360** U

Enter in **1** of the CT23

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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 <u>2</u> 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:

- 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 22,614,955 ^V
- Lesser of:
 - Ontario Net Income for the taxation year 22,615,315 ^W
 - 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 X

The lesser of W and X Y

Maximum deduction allowable the lesser of V and Y Z

Transfer to 2 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 Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
2001-07-31					
2000-07-31					
Totals					

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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Is the corporation electing under regulation 1101(5g)? 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	169,878,703	3,545,535		0	173,424,238	1,772,768	171,651,470	4	0	0	6,866,059	166,558,179
2	36,336,674			0	36,336,674		36,336,674	6	0	0	2,180,200	34,156,474
8	799,384	113,901		0	913,285	56,951	856,334	20	0	0	171,267	742,018
10	1,964,958	1,205,728		18,799	3,151,887	593,465	2,558,422	30	0	0	767,527	2,384,360
45	652,178	856,755		0	1,508,933	428,378	1,080,555	45	0	0	486,250	1,022,683
12	119,359	194,587		0	313,946	97,294	216,652	100	0	0	216,652	97,294
47		11,747,046		0	11,747,046	5,873,523	5,873,523	8	0	0	469,882	11,277,164
Totals	209,751,256	17,663,552		18,799	227,396,009	8,822,379	218,573,630				11,157,837	216,238,172

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 terminal loss and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	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) 35,092,705 **A**

Add: Cost of eligible capital property acquired during the taxation year .. + 34,894 **B**
Amount transferred on amalgamation or wind-up of subsidiary + **C**
Other adjustments + 9,087 **D**
Total of B + C + D = 43,981 x 3 / 4 = 32,986 **E**

Subtotal A + E = 35,125,691 **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 = 35,125,691 **K**

If **K** is negative, enter zero at line **M** and proceed to Part 2

Current year deduction 35,125,691 **K** x 7 % * = 2,458,798 **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) = 32,666,893 **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)

Amount on line 5 x 1 / 2

P - Q

Amount on line R x 2 / 3

Lesser of line N or line O

Amount to be included in income S + T

Note: For taxation years ending after February 27, 2000 and before October 18, 2000 use 8/9 to calculate **S**

O
P
Q
R
S
T

Corporation's Legal Name Hydro One Brampton Networks Inc.	Ontario Corporations Tax Account No. (MOF) 1800040	Taxation Year End 2005-12-31
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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					
Reserve for undelivered goods and services not rendered					
Reserve for prepaid rent					
Reserve for December 31, 1995 income					
Reserve for refundable containers					
Reserve for unpaid amounts					
Other tax reserves					
Totals	D	E			F

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
OPEB	4,532,000		150,000			4,682,000
Legal Claim Provision	268,942			19,541		249,401
Allow. for Doubtful Accounts	335,000		35,864			370,864
See schedule	2,881,192		3,720,374			6,601,566
Reserves from Part 2						
Totals	8,017,134		3,906,238	19,541		11,903,831

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
Hydro One Brampton Networks Inc.	1800040	2005-12-31

Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
Bill 4 Deferred Revenue	2,881,192		3,720,374			6,601,566
0						
Totals	2,881,192		3,720,374			6,601,566

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
Hydro One Brampton Networks Inc.	1800040	2005-12-31

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
Hydro One Inc.	1800002	2004-12-31	+ 97,803,266
Hydro One Networks Inc.	1800029	2004-12-31	+ 9,237,893,465
Hydro One Remote Communities Inc.	1800030	2004-12-31	+ 50,676,000
Hydro One Telecom Inc.	1800031	2004-12-31	+ 58,890,445
Hydro One Network Services Inc.	1800036	2004-12-31	+
Hydro One Telecom Link Limited	1800343	2004-12-31	+ 1,328,266
Hydro One Brampton Inc.	1800039	2004-12-31	+
Hydro One Lake Erie Link Management Inc	7876414	2004-12-31	+
Hydro One Lake Erie Link Company Inc.	7867914	2004-12-31	+
Hydro One Delivery Services Inc.	1800034	2004-12-31	+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
Aggregate of taxable capital			= 9,446,591,442

Transfer to box **540** of the CT23

2006

Tax Returns and

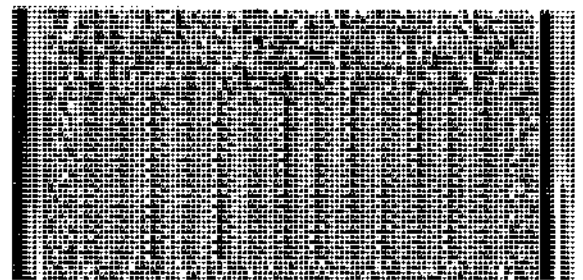
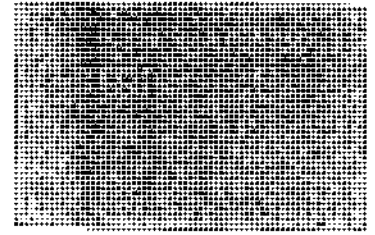
Financial Statements

T2-RETURN AND SCHEDULE INFORMATION

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

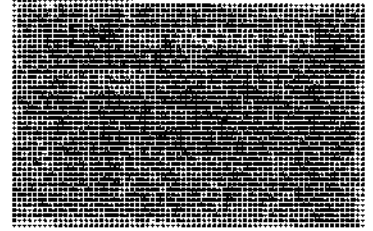
Taxation Year End: 2006-12-31



Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31



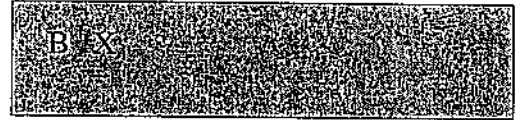
[001] 86486 7635 RC 0001

[060] 2006 01 01

[061] 2006 12 31

[099] EP06

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[002] Hydro One Brampton Networks Inc.

[003] 2

[004] _____

XXXXXXXXXXXX

[010]@ 2

[011] _____

[012] _____

[015] _____

[016] _____

[017] _____

[018] _____



[020]@ 2

[021] _____

[022] _____

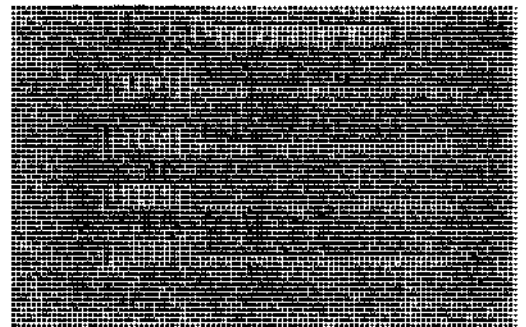
[023] _____

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[026] _____

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[028] _____



Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31

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[035] _____

[036] _____

[037] _____

[038] _____

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[065] _____

[067] 2

[070] 2

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[081] _____

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[238] _____

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[255] _____

[256] _____

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31

[258]	_____	[284]	Electricity Distrib
[259]	_____	[286]	_____
[260]	_____	[288]	_____
[261]	_____	[285]	100
[262]	_____	[287]	_____
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[292]	2	[954]	CONTROLLER
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[281]	2		
[282]	_____		
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T2-RETURN AND SCHEDULE INFORMATION

200

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31

[300]	24 329 912	[440]	_____	[652]	_____
[311]	_____	[445]	_____	[700]	_____
[312]	_____	[450]	_____		XXXXXXXXXXXXX
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[325]	_____	[780]	_____	[716]	_____
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[332]	_____			[724]	_____
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[340]	_____	[485]	_____	[765]	_____
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[355]	_____		XXXXXXXXXXXXX		XXXXXXXXXXXXX
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		[602]	_____	[788]	_____
[400]	24 329 912	[604]	_____	[792]	_____
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[410]	300 000	[616]	_____	[797]	_____
[425]	300 000	[620]	_____	[800]	_____
[430]	_____	[628]	_____	[804]	_____
	XXXXXXXXXXXXX	[637]	_____	[808]	_____
		[638]	_____	[812]	_____
[415]	_____	[639]	_____	[840]	_____
	XXXXXXXXXXXXX	[640]	_____	[890]	_____
		[644]	_____		XXXXXXXXXXXXX
		[648]	_____		

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31

Certification

I, TONY PAUL 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]	24 329 912
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]	0
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.

2007-05-31



CONTROLLER

Date

Signature of an authorized signing officer of the corporation

Position, office or rank

Name: **Hydro One Brampton Networks Inc.**

BN: 86486 7635 RC 0001

Taxation Year End: 2006-12-31

[100] 1. Hydro One Brampton Inc. *

[200] 1. 86879 4520 RC 0001 *

[300] 1. _____ *

[350] 1. _____ *

[400] 1. 100 *

[500] 1. _____ *

XXXXXXXXXXXXX

Hydro One Brampton Networks Inc.

Financial Statements

December 31, 2006

AUDITORS' REPORT

To the Shareholder of **Hydro One Brampton Networks Inc.:**

We have audited the balance sheets of **Hydro One Brampton Networks Inc.** (the Company) as at December 31, 2006 and December 31, 2005 and the statements of operations, retained earnings and cash flows for the years 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 audits.

We conducted our audits 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 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 4, 2007[except as to note 17,
which is as of April 12, 2007]

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

HYDRO ONE BRAMPTON NETWORKS INC.

STATEMENTS OF OPERATIONS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Revenues		
Distribution (Note 3)	325,785	339,441
Other (Note 13)	3,588	2,739
	329,373	342,180
Costs		
Purchased power (Notes 3 and 13)	267,296	282,797
Operation, maintenance and administration (Note 13)	16,948	14,811
Depreciation and amortization (Note 4)	15,158	13,310
	299,402	310,918
Income before financing charges and provision for payments in lieu of corporate income taxes	29,971	31,262
Financing charges (Notes 5 and 13)	9,437	9,540
Income before provision for payments in lieu of corporate income taxes	20,534	21,722
Provision for payments in lieu of corporate income taxes (Notes 6 and 13)	8,826	8,595
Net income	11,708	13,127

STATEMENTS OF RETAINED EARNINGS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Retained earnings, January 1	31,411	18,284
Net income	11,708	13,127
Dividends (Notes 12 and 13)	(12,000)	-
Retained earnings, December 31	31,119	31,411

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.
BALANCE SHEETS

<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Assets		
Current assets		
Cash	-	2,125
Inter-company demand facility (Note 13)	-	12,100
Accounts receivable (net of allowance for doubtful accounts - \$725 thousand; 2005 - \$805 thousand) (Note 13)	58,247	48,768
Materials and supplies	4,493	3,747
	62,740	66,740
Fixed assets (Note 7)		
Fixed assets in service	404,623	384,136
Less: accumulated depreciation	183,765	169,258
	220,858	214,878
Construction in progress	682	-
	221,540	214,878
Other long-term assets		
Goodwill (Note 12)	60,060	60,060
Regulatory assets (Note 8)	5,302	8,906
Deferred debt costs (Note 9)	643	669
	66,005	69,635
Total assets	350,285	351,253

HYDRO ONE BRAMPTON NETWORKS INC.
BALANCE SHEETS (continued)

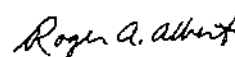
<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Liabilities		
Current liabilities		
Bank indebtedness	6,310	-
Accounts payable and accrued charges (Note 13)	51,503	57,781
Accrued interest	844	844
Promissory note due to parent (Note 9 and 13)	-	1,599
	58,657	60,224
Long-term debt (Notes 9, 10 and 13)	143,000	143,000
Other long-term liabilities		
Regulatory liabilities (Note 8)	702	126
Long term accounts payable and accrued liabilities	247	249
Employee future benefits other than pension (Note 11)	4,999	4,682
	5,948	5,057
Total liabilities	207,605	208,281
Contingencies and commitment (Notes 15 and 16)		
Shareholder's equity		
Contributed surplus (Note 12)	60,060	60,060
Common shares (authorized: unlimited; issued: 2,000) (Note 12)	51,501	51,501
Retained earnings	31,119	31,411
Total shareholder's equity	142,680	142,972
Total liabilities and shareholder's equity	350,285	351,253

See accompanying notes to financial statements.

On behalf of the Board of Directors:



Laura Formosa
Chair



Roger Albert
Director

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF CASH FLOWS

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Operating activities		
Net income	11,708	13,127
Adjustments for non-cash items:		
Depreciation and amortization (net of removal costs)	14,699	13,947
Change in regulatory assets and liabilities	4,180	1,047
Amortization of deferred debt costs	26	26
	30,613	28,147
Changes in non-cash balances related to operations <i>(Note 14)</i>	(16,188)	11,181
Net cash from operating activities	14,425	39,328
Investing activities		
Capital expenditures	(21,563)	(17,699)
Proceeds from dispositions	202	-
Net cash used in investing activities	(21,361)	(17,699)
Financing Activities		
Repayment of promissory note due to parent	(1,599)	-
Dividends paid	(12,000)	-
Net cash used in financing activities	(13,599)	-
Net change in cash and cash equivalents	(20,535)	21,629
Cash and cash equivalents, January 1	14,225	(7,404)
Cash and cash equivalents, December 31 <i>(Note 14)</i>	(6,310)	14,225

See accompanying notes to financial statements.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Hydro One Brampton Networks Inc. (Hydro One Brampton or the Company) was incorporated on April 25, 2000 under the Business Corporations Act (Ontario). Prior to October 31, 2006, the Company was a wholly owned subsidiary of Hydro One Brampton Inc. Articles of Dissolution were filed on January 30, 2007 with respect to Hydro One Brampton Inc., on which date this corporation was dissolved. As a consequence, the Company is now a direct wholly owned subsidiary of Hydro One Inc. (Hydro One). The principal business of the Company is the ownership, operation and management of electricity distribution systems and facilities within the City of Brampton, Ontario. The Ontario Energy Board (OEB) regulates the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

The Company follows the push down basis of accounting for goodwill whereby the goodwill values that arose in the purchase equation when the Company was acquired were "pushed down" to the accounts of the Company.

Rate-setting

The rates of the electricity distribution business of the Company are subject to regulation by the OEB and these rates are based on a revenue requirement that includes a rate of return. On April 12, 2006, the OEB announced its decision regarding the Company's rate application in respect of the distribution business. On the basis of the written evidence submitted, the OEB approved the requested increase in the revenue requirement and also provided for a reduction in the approved rate of return, from 9.88% to 9.00% on deemed common equity, effective May 1, 2006.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for revenues and expenses incurred in different periods than would be the case had the Company been unregulated. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made. Specific regulatory assets and liabilities are disclosed in Note 8.

Revenue Recognition

Distribution revenues attributable to the sale and delivery of electricity reflect actual consumption billed, actual consumption yet to be billed, and an estimate for unbilled consumption. Unbilled revenue that relates to actual consumption unbilled is calculated using preliminary meter reading data and actual billing rates except for the price for energy, which is estimated. Unbilled revenues that relate to energy used by consumers from the last meter reading dates during the period to the end of the year are estimated based on historical consumption. Unbilled revenues included within accounts receivable as at December 31, 2006 amounted to \$27,092 thousand (2005 - \$33,469 thousand). Actual results could differ from estimates of unbilled electricity usage.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Corporate Income and Capital Taxes

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

The Company provides for payments in lieu of corporate income taxes using the taxes payable method, as directed by the OEB. 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. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Hydro One Brampton at that time.

Inter-Company Demand Facility

Hydro One maintains pooled bank accounts for its use and for the use of its subsidiaries, including the Company. The Company earns interest on positive inter-company balances based on the average of the bankers' acceptance rate at the beginning and end of the month, less 0.02%. The Company is charged interest on overdraft inter-company balances based on the same bankers' acceptance rate, plus 0.15%.

Materials and Supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost or net realizable value.

Fixed Assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to major capital construction activities.

Fixed assets in service consist of land and land rights, buildings, distribution equipment, transformers and meters, trucks and equipment, and office and computer equipment.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

Depreciation

The capital costs of fixed assets are depreciated on a straight-line basis over their estimated service lives as follows:

	Depreciation Rate
Land rights	2.00%
Buildings	2.00%
Distribution equipment	2.50% - 6.67%
Transformers and meters	4.00%
Trucks and equipment	12.50% - 20.00%
Office and computer equipment	10.00% - 20.00%

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

In accordance with group depreciation practices, the original cost of normal fixed asset retirements is charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense.

Depreciation rates for fixed assets are subject to periodic review. Changes in depreciation rates arising from such a review are applied over the remaining service life.

Goodwill

Goodwill arose upon the acquisition of the Company by Hydro One and the application of push down accounting resulted in the recognition of contributed surplus. The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require, with any write-down of the carrying value of goodwill being charged to results of operations. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. The Company has determined that goodwill is not impaired.

Deferred Debt Costs

Deferred debt costs represent debt issuance costs transferred from Hydro One based on the Company's share of Hydro One's debt issue amount. Deferred debt costs are amortized on a straight-line basis over the period ending with the maturity of the debt.

Employee Future Benefits

Employee future benefits for all employees of the Company include pension, group life insurance, health care and long-term disability.

The Company accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Employee future benefits other than pension are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Employee future benefit costs are attributed to labour and are charged to operations, maintenance and administration or capitalized as part of the cost of fixed assets.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual results could differ from estimates, including changes as a result of future decisions made by the OEB or the Province of Ontario.

3. ELECTRICITY CREDITS

Under a new regulation issued in October 2005, Regulated Price Plan customers received a one-time credit reflecting a lower cost of power than the fixed commodity price between April 1, 2004 and March 31, 2005. In the fourth quarter of 2005, revenue and purchased power costs were each reduced by \$11,474 thousand.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

4. DEPRECIATION AND AMORTIZATION

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Depreciation of fixed assets in service	13,917	13,242
Amortization of regulatory assets	1,172	-
Fixed asset removal costs	43	42
Amortization of land rights	26	26
	15,158	13,310

5. FINANCING CHARGES

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Interest on long-term debt	9,939	9,939
Interest (income) expense	(235)	33
Amortization of deferred debt costs	26	26
Less: Interest capitalized on regulatory assets	(293)	(458)
	9,437	9,540

6. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Income before provision for PILs	20,534	21,722
Federal and Ontario statutory income tax rate	36.12%	36.12%
Provision for PILs at statutory rate	7,417	7,846
Increase (decrease) resulting from:		
Temporary differences:		
Recovery of regulatory assets	1,510	378
Employee future benefits other than pension expense in excess of cash payments	115	54
Depreciation and amortization (less than) in excess of capital cost allowance	(71)	80
Other	(154)	(30)
Net temporary differences	1,400	482
Net permanent differences:		
Large corporations tax	-	260
Other	9	7
Net permanent differences	9	267
Provision for PILs	8,826	8,595
Effective income tax rate	42.98%	39.57%

Future income taxes have not been recorded in the accounts as they are expected to be recovered through future revenues consistent with the OEB direction to follow the taxes payable method. As at December 31, 2006, future income tax liabilities of \$493 thousand (2005 - \$2,073 thousand), based on substantively enacted income tax rates, have not been recorded.

In the absence of rate regulated accounting, the Company's provision for PILs would have been recognized using the liability method rather than the taxes payable method. As a result, the provision for PILs would have been lower by approximately \$1,580 thousand (2005 - \$482 thousand), including the impact of a change in the substantively enacted rates.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

7. FIXED ASSETS

<i>December 31 (Canadian dollars in thousands)</i>	Fixed Assets in Service	Accumulated Depreciation	Construction in Progress	Total
2006				
Land and land rights	9,510	166	-	9,344
Buildings	23,375	6,388	-	16,987
Distribution equipment	260,630	121,021	682	140,291
Transformers and meters	95,953	46,303	-	49,650
Trucks and equipment	9,910	6,522	-	3,388
Office and computer equipment	5,245	3,365	-	1,880
	404,623	183,765	682	221,540
2005				
Land and land rights	9,496	140	-	9,356
Buildings	22,275	5,916	-	16,359
Distribution equipment	247,180	111,317	-	135,863
Transformers and meters	91,318	43,068	-	48,250
Trucks and equipment	9,349	6,075	-	3,274
Office and computer equipment	4,518	2,742	-	1,776
	384,136	169,258	-	214,878

8. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-making process. The Company has recorded the following regulatory assets and liabilities (see Note 2):

<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Regulatory assets:		
Regulatory asset recovery account	5,071	8,432
Pension costs	200	-
Retail settlement variance accounts	-	474
Other regulatory assets	31	-
Total regulatory assets	5,302	8,906
Regulatory liabilities:		
Retail settlement variance accounts	(325)	-
PILs variance	(202)	-
Smart meters	(175)	-
Other regulatory liabilities	-	(126)
Total regulatory liabilities	(702)	(126)

In the absence of rate regulated accounting, interest of \$293 thousand (2005 - \$458 thousand) would not have been accreted on these regulatory assets and liabilities and financing charges would have been higher by the same amount.

Regulatory asset recoveries

On March 21, 2005, the OEB approved the Company's request to continue to recover its regulatory asset balances including interest, recognized prior to 2004. On April 12, 2006, final approval was received from the OEB for the recovery of the December 2004 regulatory asset balances. Cumulative recoveries made as of December 31, 2006 were reallocated to regulatory asset balances in the year. In the absence of rate regulated accounting, amortization of regulatory assets in the amount of \$1,172 thousand (2005 - \$nil) would not have been recorded and amortization expense would have been lower by the same amount.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Pension costs

On March 2, 2005, the OEB approved a deferral account for OMERS pension costs for 2004 and future years, including interest. The OEB noted in its decision that the ultimate disposition of any deferred amounts, and their eligibility for recovery through rates, will be the subject of a future proceeding. In the absence of regulatory accounting, operations maintenance and administration expense would have been higher by \$195 thousand (2005 - \$1,042 thousand).

Retail settlement variance accounts

Retail settlement variance accounts consist of amounts deferred under the provisions of Article 490 of the OEB's Accounting Procedures Handbook.

Smart meters

On March 21, 2006, the OEB approved the establishment of deferral accounts for smart meter related expenditures and a monthly customer charge of thirty cents per residential customer was reflected in the Company's revenue requirement. Consistent with the OEB's direction and pending further guidance, the Company has recognized a regulatory asset consisting of the net balance of capital and operating expenditures for smart meters minus recoveries received from customers. In the absence of rate regulated accounting, the Company's operation, maintenance and administration expense would have been higher by \$65 thousand, revenues would have been lower by \$262 thousand, and financing costs would have been higher by \$3 thousand (2005 - \$nil).

PILs variance

Effective May 1, 2006, the OEB established a PILs variance account in accordance with the OEB's 2006 Electricity Distribution Rate Handbook and related guidance. The purpose of this account is to capture the tax impact of any differences affecting 2006 PILs included in rates that arise from changes in tax rules or tax re-assessments. Disposition of this account balance is subject to OEB review. In the absence of rate regulated accounting, such amounts would not have been deferred and revenue would have been higher by \$202 thousand (2005 - \$nil), and financing costs would have been higher by \$2 thousand (2005 - \$nil).

9. DEBT

The \$1,599 thousand amount due in 2005 to the parent was a promissory note due on demand without interest. The Company subsequently repaid this note to Hydro One.

The long-term debt of \$143,000 thousand (2005 - \$143,000 thousand) is a promissory note payable to Hydro One bearing interest at a rate of 6.95% per annum until maturity on June 1, 2032. The note is subject to redemption or repurchase by the Company before maturity, in whole or in part. On issuance of this promissory note, \$773 thousand of debt costs incurred by Hydro One were transferred to the Company. These debt costs are being amortized over the 30-year term of the note. The unamortized balance at December 31, 2006 was \$643 thousand (2005- \$669 thousand).

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of all financial instruments, except long-term debt, approximate fair value. The fair value of long-term debt, based on year-end quoted market prices for the same or similar debt of the same remaining maturities, is provided in the following table:

<i>December 31 (Canadian dollars in thousands)</i>	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	143,000	183,412	143,000	185,299

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2006, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any single customer. As at December 31, 2006, there were no significant balances of accounts receivable due from any single customer.

11. EMPLOYEE FUTURE BENEFITS

Employees of the Company participate in OMERS, a multi-employer public sector pension fund. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and salary. The Company accounts for its participation as a defined contribution plan. During 2006, the Company contributed \$947 thousand to the plan (2005 - \$816 thousand).

The Company also provides certain medical and life insurance benefits on behalf of its retired employees and their dependents. The Company recognizes these post-retirement costs in the period in which the employees render services. Costs are determined by independent actuaries using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized on a straight-line basis and actuarial gains and losses are amortized over the expected average remaining service life of the employees covered. The measurement date used to determine the accrued benefit obligation is December 31.

Net periodic post-retirement benefit costs of \$428 thousand (2005 - \$246 thousand) are attributed to labour. In 2006, \$252 thousand (2005 - \$145 thousand) was charged to operations and \$176 thousand (2005 - \$101 thousand) was capitalized as part of the cost of fixed assets.

Information about the Company's post-retirement benefit plan is as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Accrued benefit liability, beginning of year	4,682	4,532
Net periodic post-retirement benefit cost	428	246
Benefits paid	(111)	(96)
Accrued benefit liability, end of year	4,999	4,682

During 2006, the Company had an actuarial gain of \$213 thousand as a result of updating year-end assumptions. The net accumulated unamortized actuarial gain at December 31, 2006 was \$306 thousand (2005 - \$93 thousand).

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

Components of net periodic post-retirement benefit cost are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Current service cost	193	119
Interest cost	235	197
Actuarial (gain) loss on benefit obligation	(213)	1,146
Costs arising in the period	215	1,462
Differences between costs arising in the period and costs recognized in the period in respect of:		
Actuarial gain (loss)	213	(1,216)
Net periodic post-retirement benefit cost	428	246
Effect of 1% increase in health care cost trends on:		
Accrued benefit obligation, December 31	366	334
Service and interest costs	42	28
Effect of 1% decrease in health care cost trends on:		
Accrued benefit obligation, December 31	(317)	(292)
Service and interest costs	(38)	(26)

The significant actuarial assumptions used in measuring the accrued benefit obligation are as follows:

	2006	2005
Expected annual remaining service life of employees	14 years	14 years
Discount rate for the expense for the year ended December 31	5.00%	6.00%
Discount rate for accrued benefit obligation as at December 31	5.25%	5.00%
Rate of compensation scale escalation (without merit)	4.00%	4.00%
Rate of increase of long-term supplementary medical costs is 5.40% per annum in 2006 grading down to 4.50% per annum after one year and remaining constant thereafter.	4.50%	5.40%
Rate of increase of prescription drugs is 11.50% per annum in 2006 grading down to 4.50% per annum after eight years and remaining constant thereafter.	10.62%	11.50%
Rate of increase in dental costs 5.20% per annum in 2006 grading down to 4.50% per annum after one year and remaining constant thereafter.	4.50%	5.20%

12. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares and 2,000 shares have been issued to date.

Contributed Surplus

Contributed surplus represents \$60,060 thousand in goodwill recognized upon Hydro One's 2001 purchase and pushed down to the accounts of the Company.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Dividends

Common dividends are declared at the sole discretion of the Company's Board of Directors and are recommended by management based upon results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

Common dividends declared and paid during 2006 were \$12,000 thousand (2005 - \$nil).

13. RELATED PARTY TRANSACTIONS

Hydro One and its subsidiaries, the OEFC, Ontario Power Generation Inc. (OPG), the Independent Electricity System Operator (IESO) and the Province of Ontario are related parties of the Company. In addition, the OEB is related to the Company by virtue of its status as a Provincial Crown Corporation, although as a self-financing and self-sufficient regulatory organization, it carries out independent regulation for Ontario's energy sector, including the Company's regulated distribution business. Transactions between these parties and the Company were as follows:

In 2006, the Company purchased power from the IESO-administered spot market in the amount of \$251,183 thousand (2005 - \$280,507 thousand).

During the year the Company recovered \$510 thousand from OPG as a result of a disputed billing in a previous period.

The Company purchased certain transmission, connection, and administrative services from Hydro One Networks Inc. and Hydro One totaling \$2,225 thousand (2005 - \$1,664 thousand). The Company provided certain transmission and connection services to Hydro One Networks Inc. totaling \$1,905 thousand (2005 - \$2,042 thousand). The Company recorded other rental revenues from Hydro One Networks Inc. of \$256 thousand (2005 - \$228 thousand).

During 2006, the Company paid for certain telecommunication services in the amount of \$23 thousand (2005 - \$58 thousand) and leased a portion of its facilities and equipment to Hydro One Telecom Inc in the amount of \$204 thousand (2005 - \$216 thousand).

The provision for payments in lieu of corporate income taxes was paid or payable to the OEFC.

Under the *Ontario Energy Board Act, 1998*, the OEB is required to recover all of its annual operating costs from gas and electricity distributors and electricity transmitters. In 2006, the Company incurred \$507 thousand (2005 - \$337 thousand) in OEB fees.

The amounts due to or from related parties as a result of the transactions referred to above are as follows:

<i>December 31 (Canadian dollars in thousands)</i>	2006	2005
Accounts receivable	459	413
Accounts payable and accrued charges	(22,399)	(33,356)

Included in accounts payable and accrued charges are amounts owing to the IESO in respect of power purchases of \$20,019 thousand (2005 - \$29,940 thousand).

A common dividend of \$12,000 thousand was paid to Hydro One in the year (2005 - \$nil).

The 2005 inter-company demand facility balance of \$12,100 thousand was due from Hydro One and earns interest based on the average of the bankers' acceptance rate at the beginning of the month, less 0.02%. Net financing income for 2006 includes interest income on the facility in the amount of \$407 thousand (2005 - \$21 thousand).

During the year, the Company repaid a promissory note to Hydro One in the amount of \$1,599.

HYDRO ONE BRAMPTON NETWORKS INC.

NOTES TO FINANCIAL STATEMENTS (continued)

As at December 31, 2006, long-term debt of \$143,000 thousand was due to Hydro One (2005 - \$143,000 thousand). Net financing charges for 2006 include interest expense on this debt in the amount of \$9,939 thousand (2005 - \$9,939 thousand).

14. STATEMENTS OF CASH FLOWS

For the purposes of the Statements of Cash Flows, "cash and cash equivalents" refers to the balances sheet items "cash," "inter-company demand facility" and "bank indebtedness".

The changes in non-cash balances related to operations consists of the following:

<i>Year ended December 31 (Canadian dollars in thousands)</i>	2006	2005
Accounts receivable increase	(9,479)	(430)
Materials and supplies increase	(746)	(355)
Accounts payable and accrued charges (decrease) increase	(6,278)	11,829
Long term accounts payable and accrued liabilities (decrease) increase	(2)	(13)
Employee future benefits other than pension increase	317	150
	(16,188)	11,181

15. CONTINGENCIES

The Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have an adverse effect on the Company's financial position, results of operations or cash flows.

A class action claiming \$500,000 thousand in restitutionary payments, plus interest, was served on Toronto Hydro on November 18, 1998. The action was initiated against the former 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 amounts allowed by law. The Electricity Distributors Association is undertaking the defence of this class action. The Company believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

16. COMMITMENT

Prudential support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit plus the nominal amount of the parental guarantee. As at December 31, 2006, the Company provided prudential support, using a combination of bank letters of credit of \$2,000 thousand (2005 - \$2,000 thousand) and parental guarantees of \$75,000 thousand (2005 - \$75,000 thousand).

17. SUBSEQUENT EVENT

On April 12, 2007, the OEB approved the Company's revised distribution rates and charges effective May 1, 2007. These rates were substantially as requested in the Company's original filing.

HYDRO ONE BRAMPTON NETWORKS INC.
NOTES TO FINANCIAL STATEMENTS (continued)

18. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2006 financial statements.

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 86486 7635 RC0001

Corporation's name

002 Hydro One Brampton Networks Inc.

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 this address changed since the last time we were notified? 010 1 Yes ☐ 2 No ☒

(If Yes, complete lines 011 to 018)

011 175 Sandalwood Parkway, West

012 City Province, territory, or state
015 Brampton 016 ON

Country (other than Canada) Postal code/Zip code

017 018 L7A 1E8

Mailing address (if different from head office address)

Has this address changed since the last time we were notified? 020 1 Yes ☐ 2 No ☒

(If Yes, complete lines 021 to 028)

021 c/o

022 City Province, territory, or state

025 026 Country (other than Canada) Postal code/Zip code

027 028 L7A 1E8

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 ☒

(If Yes, complete lines 031 to 038)

031 175 Sandalwood Parkway, West

032 City Province, territory, or state

035 Brampton 036 ON

Country (other than Canada) Postal code/Zip code

037 038 L7A 1E8

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 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 DDHas 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 ☐ 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 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 ☐ 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
100

Attachments

Financial statement information: Use GIFI 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?	<input checked="" type="checkbox"/>	9
Is the corporation an associated Canadian-controlled private corporation?	<input checked="" type="checkbox"/>	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<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	<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?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input checked="" type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input checked="" 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?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<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 Income Tax Regulations?	<input checked="" type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<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?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<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?	<input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input 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?	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input checked="" 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?	<input checked="" type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	16
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	<input type="checkbox"/>	26*
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<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?	<input type="checkbox"/>	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<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?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<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?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax?	<input type="checkbox"/>	92 *

* We do not print this schedule.