Attachments – continued from page 2

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

Additional information

Is the corporation inactive? . . . . 280 1 Yes [ ] 2 No [X]

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

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 tax year? . . . . 291 1 Yes [ ] 2 No [X]

Did the corporation emigrate from Canada during the tax year? . . . . 292 1 Yes [ ] 2 No [X]

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.			300	24,329,912	A
Deduct: Charitable donations from Schedule 2	311	740			
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 tax years from Schedule 4	331				
Net capital losses of preceding tax years from Schedule 4	332				
Restricted farm losses of preceding tax years from Schedule 4	333				
Farm losses of preceding tax years from Schedule 4	334				
Limited partnership losses of preceding tax years from Schedule 4	335				
Taxable capital gains or taxable dividends allocated from a central credit union	340				
Prospector's and grubstaker's shares	350				
Subtotal		740 ▶		740	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				24,329,172	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions			355		D
Taxable income (amount C **plus** amount D)			360	24,329,172	
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)				24,329,172	Z

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

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7 . . . . **400** 24,281,258 A

Taxable income from line 360, **minus** 10/3 of the amount on line 632*, **minus** 3 times the amount on line 636**, and **minus** any amount that, because of federal law, is exempt form Part I tax . . . . **405** 24,329,172 B

Calculation of the business limit:

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

250,000	x	Number of days in the tax year in 2004 / Number of days in the tax year	/ 365	=		1
300,000	x	Number of days in the tax year in 2005 and in 2006 / Number of days in the tax year	365 / 365	=	300,000	2
400,000	x	Number of days in the tax year after 2006 / Number of days in the tax year	/ 365	=		3
		Add amounts at lines 1, 2, and 3			300,000	4

Business limit (see notes 1 and 2 below) . . . . **410** ______ C

Notes: 1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.

2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C ______ x **415** *** 661,516 D / 11,250 = ... ______ E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") . . . . **425** ______ F

Small business deduction

Whichever amount is the least A, B, C or F . . . . ______ G1

Amount G1	______	x	Number of days in the tax year before 2008 / Number of days in the tax year	365 / 365	x	16.00 %	=	______ G2
Amount G1	______	x	Number of days in the tax year in 2008 / Number of days in the tax year	/ 365	x	16.50 %	=	______ G3
Amount G1	______	x	Number of days in the tax year after 2008 / Number of days in the tax year	/ 365	x	17.00 %	=	______ G4

Small business deduction – total of amounts G2, G3, and G4 . . . . **430** ______ G

(enter amount G on line 9)

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

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

*** **Large corporations**

- The amount to be entered at line 415 is the total taxable capital employed in Canada **minus** $10,000,000 x 0.225%, calculated on Schedule 33, *Part I.3 Tax On Large Corporations*, Schedule 34, *Part I.3 Tax On Financial Institutions* or Schedule 35, *Part I.3 Tax On Large Insurance Companies*.
- If the corporation is not associated with any corporations in both the current and the preceding tax years, use the applicable schedule for the **prior** year. (Amount **P** in Part 6 of Schedule 33; Amount **O** in Part 6 of Schedule 34; Amount **DD** in Part 6 of Schedule 35)
- If the corporation is not associated with any corporations in the current tax year, but was associated in the preceding tax year, use the applicable schedule for the **current** year.
- For corporations associated in the current tax 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 / line 4 above =			A
Net active business income (amount from line 400) *			24,281,258	B
Taxable income from line 360 **minus** 3 times the amount at line 636** on, and **minus** any amount that, because of federal law, is exempt from Part I Tax	24,329,172	C		
Deduct:				
Aggregate investment income (amount from line 440)	48,654	D		
Amount C **minus** amount D (if negative, enter "0")	24,280,518	▶	24,280,518	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)		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)				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 tax year in 2004 / Number of days in the tax year	/ 365	x 2 % =		B
Amount A	x	Number of days in the tax year in 2005 / Number of days in the tax year	/ 365	x 3 % =		C
Amount A	x	Number of days in the tax year in 2006 / Number of days in the tax year	365 / 365	x 5 % =		D
Amount A	x	Number of days in the tax year after 2006 / Number of days in the tax year	/ 365	x 7 % =		E
Resource deduction – total of amounts B, C, D, and E (enter amount F on line 10)				438		F

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360			24,329,172	A
Amount Z1 from Part 9 of Schedule 27		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, whichever is the least		F		
Aggregate investment income from line 440	48,654	G		
Amount used to calculate the accelerated tax reduction (amount M)		H		
Total of amounts B, C, D, E, F, G, and H	48,654	▶	48,654	I
Amount A **minus** amount I (if negative, enter "0")			24,280,518	J

Amount J	24,280,518	x	Number of days in the tax year before 2008 / Number of days in the tax year	365 / 365	x 7 %	= 1,699,636	K1
Amount J	24,280,518	x	Number of days in the tax year in 2008 / Number of days in the tax year	/ 365	x 7.5 %	=	K2
Amount J	24,280,518	x	Number of days in the tax year in 2009 / Number of days in the tax year	/ 365	x 8 %	=	K3
Amount J	24,280,518	x	Number of days in the tax year after 2009 / Number of days in the tax year	/ 365	x 9 %	=	K4

General tax reduction for Canadian-controlled private corporations – total of amounts K1, K2, K3, and K4 (enter amount K on line 638) 1,699,636 K

General tax reduction

Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation; and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the full tax rate of 38% (eg. deposit insurance company).

Taxable income from line 360			L
Amount Z1 from Part 9 of Schedule 27		M	
Amount QQ from Part 13 of Schedule 27		N	
Taxable resource income from line 435 above		O	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)		P	
Total of amounts M, N, O, and P		▶	Q
Amount L **minus** amount Q (if negative, enter "0")			R

Amount R		x	Number of days in the tax year before 2008 / Number of days in the tax year	365 / 365	x 7 %	=	S1
Amount R		x	Number of days in the tax year in 2008 / Number of days in the tax year	/ 365	x 7.5 %	=	S2
Amount R		x	Number of days in the tax year in 2009 / Number of days in the tax year	/ 365	x 8 %	=	S3
Amount R		x	Number of days in the tax year after 2009 / Number of days in the tax year	/ 365	x 9 %	=	S4

General tax reduction – total of amounts S1, S2, S3, and S4 (enter amount S on line 639) .... S

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income (amount O from Part 1 of Schedule 7)	**440** 48,654 x 26 2 / 3 % =		12,974	A
Foreign non-business income tax credit from line 632				
Deduct:				
Foreign investment income (amount L from Part 2 of Schedule 7)	**445** x 9 1 / 3 % =			
	(if negative, enter "0")	▶		B
Amount A **minus** amount B (if negative, enter "0")			12,974	C

Taxable income from line 360			24,329,172		
Deduct:					
Amount on line 400, 405, 410, or 425, whichever is the least					
Foreign non-business income tax credit from line 632	x 25 / 9 =				
Foreign business income tax credit from line 636	x 3 =				
		▶			
			24,329,172		
			x 26 2 / 3 % =	6,487,779	D
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780)			5,388,263		
Deduct: Corporate surtax from line 600			272,487		
Net amount			5,115,776 ▶	5,115,776	E
Refundable portion of Part I tax – Amount **C**, D, or E, whichever is the least			**450**	12,974	F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding tax year	460			
Deduct: Dividend refund for the previous tax year	465			
			►	G
Add the total of:				
Refundable portion of Part I tax from line 450 above		12,974		
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			
		12,974	► 12,974	H
Refundable dividend tax on hand at the end of the tax year – Amount G **plus** amount H	485		12,974	

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 of Schedule 3	12,000,000 x 1 / 3	4,000,000	I
Refundable dividend tax on hand at the end of the tax year from line 485 above		12,974	J
Dividend refund – Amount I or J, whichever is less (enter this amount on line 784)		12,974	

Part I tax

Base amount of Part I tax – 38.00 % of taxable income (line 360 or amount Z, whichever applies) . . . . **550** 9,245,085 A

Corporate surtax calculation

Base amount from line A above	9,245,085	1
Deduct:		
10 % of taxable income (line 360 or amount Z, whichever applies)	2,432,917	2
Investment corporation deduction from line 620 below		3
Federal logging tax credit from line 640 below		4
Federal qualifying environmental trust tax credit from line 648 below		5

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

28.00 % of taxable income from line 360		a		
28.00 % of taxed capital gains		b		6
Part I tax otherwise payable (line A **plus** lines C and D **minus** line F)		c		
Total of lines 2 to 6			2,432,917	7
Net amount (line 1 **minus** line 7)			6,812,168	8

Corporate surtax

line 8 6,812,168 x 4 % x Number of days in the tax year before 2008 / Number of days in the tax year 365 / 365 = **600** 272,487 B

Recapture of investment tax credit from line OO in Part 17 of Schedule 31 . . . . **602** C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440		48,654	i
Taxable income from line 360	24,329,172		
Deduct:			
Amount on line 400, 405, 410, or 425, whichever is the least			
Net amount	24,329,172 ▶	24,329,172	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii . . . . **604** 3,244 D

Subtotal (add lines A, B, C, and D) 9,520,816 E

Deduct:

Small business deduction from line 430			9
Federal tax abatement	**608**	2,432,917	
Manufacturing and processing profits deduction from amount BB or amount RR of Schedule 27	**616**		
Investment corporation deduction	**620**		
(taxed capital gains **624**)			
Additional deduction – credit unions from Schedule 17	**628**		
Federal foreign non-business income tax credit from Schedule 21	**632**		
Federal foreign business income tax credit from Schedule 21	**636**		
Accelerated tax reduction from amount N	**637**		
Resource deduction from line 438			10
General tax reduction for CCPCs from amount K	**638**	1,699,636	
General tax reduction from amount S	**639**		
Federal logging tax credit from Schedule 21	**640**		
Federal political contribution tax credit	**644**		
Federal political contributions **646**			
Federal qualifying environmental trust tax credit	**648**		
Investment tax credit from Schedule 31	**652**		
Subtotal		4,132,553 ▶	4,132,553 F

Part I tax payable – Line E **minus** line F (enter amount G on line 700) . . . . 5,388,263 G

Summary of tax and credits

Federal tax

Part I tax payable	700	5,388,263
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	
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		5,388,263

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 5,388,263 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	12,974
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld 801		
Allowable refund for non-resident-owned investment corporations from Schedule 26	804	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	5,375,289
Total credits	890	5,388,263

5,388,263 B

Balance (line A minus line B)

Refund code 894 2 Overpayment

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

Direct deposit request

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

☐ Start ☐ Change information 910 ______ Branch number

914 ______ Institution number 918 ______ Account number

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

Certification

I, 950 PAUL (Last name) 951 TONY (First name) 954 CONTROLLER (Position, office, or rank)

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2007-05-31 (Date (yyyy/mm/dd)) ______ T Paul (Signature of the authorized signing officer of the corporation) 956 (905) 840-6300 (Telephone number)

Is the contact person the same as the authorized signing officer? If *No*, complete the information below 957 1 Yes ☒ 2 No ☐

958 ______ Name 959 ______ Telephone number

Language of correspondence – Langue de correspondance

990 Indicate your language of correspondence by entering 1 for English or 2 for French.
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

1 English / Anglais ☒ 2 Français / French ☐

SCHEDULE 141

NOTES CHECKLIST

Corporation's name	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

Part 1 – Accounting practitioner information

Does the accounting practitioner have a professional designation? . . . . **095** 1 Yes [X] 2 No [ ]

Is the accounting practitioner connected* with the corporation? . . . . **097** 1 Yes [ ] 2 No [X]

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

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

Part 2 – Type of involvement

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

Completed an auditor's report . . . . 1 [X]

Completed a review engagement report . . . . 2 [ ]

Conducted a compilation engagement . . . . 3 [ ]

Part 3 – Reservations

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

Has the accounting practitioner expressed a reservation? . . . . **099** 1 Yes [ ] 2 No [X]

Part 4 – Other information

Were notes to the financial statements prepared? . . . . **101** 1 Yes [X] 2 No [ ]

If *Yes*, complete lines 102 to 107 below:

Are any values presented at other than cost? . . . . **102** 1 Yes [ ] 2 No [X]

Has there been a change in accounting policies since the last return? . . . . **103** 1 Yes [ ] 2 No [X]

Are subsequent events mentioned in the notes? . . . . **104** 1 Yes [ ] 2 No [X]

Is re-evaluation of asset information mentioned in the notes? . . . . **105** 1 Yes [ ] 2 No [X]

Is contingent liability information mentioned in the notes? . . . . **106** 1 Yes [X] 2 No [ ]

Is information regarding commitments mentioned in the notes? . . . . **107** 1 Yes [X] 2 No [ ]

Does the corporation have investments in joint venture(s) or partnership(s)? . . . . **108** 1 Yes [X] 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 [X]

:ORPORATE TAXPREP / TAXPREP DES SOCIÉTÉS - EP06

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.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

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

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF OPERATIONS

Year ended December 31 (Canadian dollars in thousands)	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

Year ended December 31 (Canadian dollars in thousands)	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

December 31 (Canadian dollars in thousands)	**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)

December 31 (Canadian dollars in thousands)	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; issned: 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:

L Formusa   Roger A. Albert

Laura Formusa
Chair

Roger Albert
Director

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF CASH FLOWS

Year ended December 31 (Canadian dollars in thousands)	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 *(Note 14)*	(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 *(Note 14)*	(6,310)	14,225

See accompanying 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.

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%

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.

4. DEPRECIATION AND AMORTIZATION

Year ended December 31 (Canadian dollars in thousands)	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

Year ended December 31 (Canadian dollars in thousands)	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:

Year ended December 31 (Canadian dollars in thousands)	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.

7. FIXED ASSETS

December 31 (Canadian dollars in thousands)	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):

December 31 (Canadian dollars in thousands)	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.

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 abseoce 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).

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:

December 31 (Canadian dollars in thousands)	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:

December 31 (Canadian dollars in thousands)	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).

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

December 31 (Canadian dollars in thousands)	**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.

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 Ooe 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:

December 31 (Canadian dollars in thousands)	**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 iuter-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).

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

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:

Year ended December 31 (Canadian dollars in thousands)	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 pareotal 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.

18. COMPARATIVE FIGURES

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

SCHEDULE 1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

Net income (loss) after taxes and extraordinary items per financial statements				11,708,454	A
Add:					
Provision for income taxes – current		101	8,825,938		
Amortization of tangible assets		104	13,985,239		
Income or loss for tax purposes – joint ventures or partnerships		109	3,834		
Charitable donations from Schedule 2		112	740		
Taxable capital gains from Schedule 6		113	48,654		
Non-deductible meals and entertainment expenses		121	23,287		
Reserves from financial statements – balance at the end of the year		126	646,162		
Subtotal of additions			23,533,854 ▶	23,533,854	
Other additions:					
Miscellaneous other additions:					
600 Add back reserves opening balance		290	3,478,011		
601 Add back capital tax accrued		291	857,800		
602 Depreciation expensed via OM&A		292	300,038		
603a Add back computer software expensed for tax	9,419				
603b Ontario Specified Tax Credits	22,000				
Total	31,419	293	31,419		
604a Amortization of debt discount	25,920				
Total	25,920	294	25,920		
Subtotal of other additions		199	4,693,188 ▶	4,693,188	
Total additions		500	28,227,042 ▶	28,227,042	
Deduct:					
Capital cost allowance from Schedule 8		403	12,109,903		
Cumulative eligible capital deduction from Schedule 10		405	2,289,752		
Subtotal of deductions			14,399,655 ▶	14,399,655	
Other deductions:					
Miscellaneous other deductions:					
700 Deduct OPEB costs capitalized included in Sch013		390	186,713		
701 Deduct actual capital tax per CT23		391	885,666		
703 Prospectus & underwriting fees		393	90,055		
704 Removal costs		394	43,495		
Subtotal of other deductions		499	1,205,929 ▶	1,205,929	
Total deductions		510	15,605,584 ▶	15,605,584	
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				24,329,912	

T2 SCH 1 E (06)

SCHEDULE 2

CHARITABLE DONATIONS AND GIFTS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Sick Kids Foundation	200
Brampton Caledon Community Living Charitable	200
Salvation Army	190
Subtotal	590
Add: Total donations of less than $100 each	150
Total donations in current taxation year	740

	Line		Federal	Quebec	Alberta
Charitable donations at the end of the preceding taxation year					
Deduct: Charitable donations expired after five taxation years	239				
Charitable donations at the beginning of the taxation year	240				
Add:					
Charitable donations transferred on an amalgamation or the windup of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	740			
Subtotal (line 250 plus line 210)		740	740	740	740
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available			740 A	740	740
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	260		740	740	740
Charitable donations closing balance	280				

Amounts carried forward – Charitable donations

Year of origin:		Federal	Quebec	Alberta
1st prior year	2005			
2nd prior year	2004			
3rd prior year	2003			
4th prior year	2002			
5th prior year	2001			
6th prior year *	2001			
Total (to line A)				

* These donations expired in the current year.

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

Net income for tax purposes * **multiplied** by 75 %			18,247,434	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)			18,247,434	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)			740	K

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

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

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

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

Part 4 – Gifts of certified cultural property

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

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Quebec	Alberta
1st prior year	2005			
2nd prior year	2004			
3rd prior year	2003			
4th prior year	2002			
5th prior year	2001			
6th prior year *	2001			
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
1st prior year	2005			
2nd prior year	2004			
3rd prior year	2003			
4th prior year	2002			
5th prior year	2001			
6th prior year *	2001			
Total				

* These donations expired in the current year.

DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.
- "X" under column F1 if the dividends received are eligible to an addition of 45% for the purposes of the dividend tax credit for individuals.
- F2 – Enter the code that applies to the deductible taxable dividend.

Part 1 – Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

	Name of payer corporation (Use only one line per corporation, abreviating its name if necessary) 200	A	B 205	C Business Number 210	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD 220
			Complete if payer corporation is connected		
1					

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

	E Non-taxable dividend under section 83 230	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d) 240	F1	F2	G Total taxable dividends paid by connected payer corporation 250	H Dividend refund of the connected payer corporation 260	I Part IV tax before deductions F x 1 / 3 * 270
					If payer corporation is not connected, leave these columns blank.		
1							
Total (enter amount of column F on line 320 of the T2 return)							J

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

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

Part 2 – Calculation of Part IV tax payable

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

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

	A Name of connected recipient corporation 400	B Business Number 410	C Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD 420	D Taxable dividends paid to connected corporations 430
1	Hydro One Inc.	86999 4731 RC0001	2006-12-31	12,000,000
2				

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

Total 12,000,000

Total taxable dividends paid in the taxation year to other than connected corporations	450	
Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450)	460	12,000,000
Eligible dividends paid that are included in line 460 (memo) (Press F1 for additional information)		

Part 4 – Total dividends paid in the taxation year

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

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above)			460	12,000,000
Other dividends paid in the taxation year (total of 510 to 540)				
Total dividends paid in the taxation year			500	12,000,000
Deduct:				
Dividends paid out of capital dividend account	510			
Capital gains dividends	520			
Dividends paid on shares described in subsection 129(1.2)	530			
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	540			
	Subtotal		▶	
Total taxable dividends paid in the taxation year for purposes of a dividend refund				12,000,000

SCHEDULE 6

SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

- For use by corporations that have disposed of capital property or claimed an allowable business investment loss, or both, in the tax year.
- Use this schedule to make a designation under paragraph 111(4)(e) of the federal *Income Tax Act*, if the control of the corporation has been acquired by a person or group of persons.

For more information, see the section called "Schedule 6, Summary of Dispositions of Capital Property" in the *T2 Corporation – Income Tax Guide*.

Designation under paragraph 111(4)(e) of the *Income Tax Act*

Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)?

050 1 Yes [ ] 2 No [X] If *Yes*, attach a statement specifying which properties are subject to such a designation.

Part 1 – Shares

	No. of shares **100**	Name of corporation **105**	Class of shares **106**	Date of acquisition YYYY/MM/DD **110**	Proceeds of disposition **120**	Adjusted cost base **130**	Outlays and expenses (dispositions) **140**	Gain (or loss) (column 120 less cols. 130 and 140) **150**	Foreign source
1									
				Totals					A

Part 2 – Real estate – Do not include losses on depreciable property

	Municipal address 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code **200**	Date of acquisition YYYY/MM/DD **210**	Proceeds of disposition **220**	Adjusted cost base **230**	Outlays and expenses (dispositions) **240**	Gain (or loss) (column 220 less cols. 230 and 240) **250**	Foreign source
1	Land MS16	2000-05-01	150,000	44,510	8,183	97,307	
2							
3							
		Totals	150,000	44,510	8,183	97,307	B

Part 3 – Bonds

	Face value **300**	Maturity date **305**	Name of issuer **307**	Date of acquisition YYYY/MM/DD **310**	Proceeds of disposition **320**	Adjusted cost base **330**	Outlays and expenses (dispositions) **340**	Gain (or loss) (column 320 less cols. 330 and 340) **350**	Foreign source
1									
				Totals					C

Part 4 – Other properties – Do not include losses on depreciable property

	Description 400	Date of acquisition YYYY/MM/DD 410	Proceeds of disposition 420	Adjusted cost base 430	Outlays and expenses (dispositions) 440	Gain (or loss) (column 420 less cols. 430 and 440) 450	Foreign source
1							
		Totals					D

Part 5 – Personal-use property (Do not include listed personal property)

	Description 500	Date of acquisition YYYY/MM/DD 510	Proceeds of disposition 520	Adjusted cost base 530	Outlays and expenses (dispositions) 540	Gain only (column 520 less cols. 530 and 540) 550	Foreign source
1							
	Note: Losses are not deductible.	Totals					E

Part 6 – Listed personal property

	Description 600	Date of acquisition YYYY/MM/DD 610	Proceeds of disposition 620	Adjusted cost base 630	Outlays and expenses (dispositions) 640	Gain (or loss) (column 620 less cols. 630 and 640) 650	Foreign source
1							
		Totals					

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

Subtract: Unapplied listed personal property losses from other years 655 ______

Amount from line 655 is from line 530 in Part 5 of Schedule 4.

Net gains (or losses) ______ F

Part 7 – Determining allowable business investment losses

Property qualifying for and resulting in an allowable business investment loss

	Name of small business corporation 900	Shares, enter 1; debt, enter 2 905	Date of acquisition YYYY/MM/DD 910	Proceeds of disposition 920	Adjusted cost base 930	Outlays and expenses (dispositions) 940	(Loss)(column 920 less cols. 930 and 940) 950	Foreign source
1								
	Note: Properties listed in Part 7 should not be included in any other parts of Schedule 6.		Totals					G

Allowable business investment losses . . . . Amount G ______ x 50 % = ______ H

Enter amount H on line 406 of Schedule 1.

Part 8 – Determining capital gains or losses

Total of amounts A to F (do not include F if the amount is a loss) . . . . 97,307 I

Add:

Capital gains dividend received in the year . . . . 875 ______ J Foreign source

Capital gains reserve opening balance (from Schedule 13) . . . . 880 ______ K

Subtotal (add amounts I, J, and K) 97,307 L

Deduct: Capital gains reserve closing balance (from Schedule 13) . . . . 885 ______ M

Capital gains or losses (amount L minus amount M) 890 97,307

Part 9 – Determining taxable capital gains and total capital losses

Capital gains or losses (amount from line 890 above)				97,307	N	
Deduct the following gains that are included in the amount N:						
Gain on donation of a share, debt obligation, or right listed on a prescribed stock exchange and other amounts under paragraph 38(a.1) of the *Income Tax Act*						
realized prior to May 2, 2006	x 50 % =		O			Foreign source ☐
realized after May 1, 2006			P			Foreign source ☐
Subtotal: O plus P	895					
Gain on donation of ecologically sensitive land						
realized prior to May 2, 2006	x 50 % =		Q			Foreign source ☐
realized after May 1, 2006			R			Foreign source ☐
Subtotal: Q plus R	896					
Total: 895 plus 896					S	
Amount N minus amount S				97,307	T	
Total capital losses: If amount T is a loss, enter it on line 210 of Schedule 4						
Taxable capital gains: If amount T is a gain, enter it on this line and multiply	97,307 x 50 % =			48,654	U	
Enter amount U on line 113 of Schedule **1**						

Portion of gain or loss from foreign sources (100%)
(excluding business investment losses) . . . . ____

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SCHEDULE 7

CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

Part 1 and Part 2 – 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	48,654	001	002 48,654	A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		009	012	B
Net capital losses of other years claimed on line 332 on the T2 return			022	C
Total of amounts B and C				D
Amount A **minus** amount D (if negative, enter "0")	48,654		48,654	E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends				
Other property income				
Total income from property		019	032	F
Exempt income		029	042	G
Amounts received from NISA Fund No. 2 (CAIS) that were included in computing the corporation's income for the year			052	H
Taxable dividends deductible (total of Column F on Schedule 3)		049	062	I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		059	072	J
Total of amounts G, H, I, and J				K
Amount F **minus** amount K				L
Total of amount E **plus** amount L	48,654		48,654	M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)		069	082	N
Amount M **minus** amount N (if negative, enter "0")	48,654	079 L	092 O 48,654	

Note: The aggregate investment income is the aggregate world source income.
Enter amount L, foreign investment income, on line 445 of the T2 return.
Enter amount O, aggregate investment income, on line 440 of the T2 return.

Net taxable dividends	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3			
Less: Expenses related to such dividends			
Total expenses			
Net taxable dividends			

Part 3 – Specified partnership income

A	B	C
Partnership name **200**	Total income (loss) of partnership from an active business **300**	Corporation's share of amount in column B **310**

D	E	F	G	H	I
Adjustments [add prior-year reserves under subsection 34.2(5), and deduct expenses incurred to earn partnership income, including any reserve under subsection 34.2(4)] **315**	Corporation's income (loss) of the partnership (column C **plus** column D) **320**	Number of days in the partnership's fiscal period **325**	Prorated business limit (column C ÷ column B) × [business limit* × (column F ÷ 365)] (if column C is negative, enter "0")** **330**	Column E **minus** column G (if negative, enter "0")	Lesser of columns E and G (if column E is negative, enter "0") **340**
Total	**350**			Total **385**	**360**

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 . . . . **370** ______

Specified partnership loss of the corporation for the year – enter as a positive amount (total of all negative amounts in column E) . . . . **380** ______

Total of lines 370 and 380 . . . . ______ ▶ ______ J

Amount at line 385 or line J, whichever is less . . . . **390** ______

Specified partnership income (line 360 **plus** line 390) . . . . **400** ______

* Use one of the following business limits to calculate column G, whichever applies:

- $250,000 if the corporation's tax year ends in 2004;
- $300,000 if the corporation's tax year ends in 2005 or 2006; or
- $400,000 if the corporation's tax year ends after 2006.

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

Part 4 – Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – from line 350 above (if the net amount is negative, enter "0" on line O) . . . . ______ K

Add: Specified partnership loss (from line 380 above) . . . . ______ L

Subtotal ______ M

Deduct: Specified partnership income (from line 400 above) . . . . ______ N

Partnership income (enter on line S below) . . . . **450** ______ O

Part 5 – Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return			24,329,912	P
Deduct: Foreign business income after deducting related expenses*	500			
Taxable capital gains **minus** allowable capital loss – amount A **minus** amount B* (page 1)**		48,654		
Net property income = amount F **minus** amount G, H, and N* (page 1)				Q
Personal services business income after deducting related expenses*	520			
		48,654 ►	48,654	
		Net amount	24,281,258	R
Deduct: Partnership income (line 450 above)				S
Income from active business carried on in Canada (enter on line 400 of the T2 return – if negative, enter "0")			24,281,258	T

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

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 $5,169,368.

SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

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

	1 Class number	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate %	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (column 7 multiplied by column 8; or a lower amount) (line 403 of Schedule 1)****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
	200		201	203	205	207	211		212	213	215	217	220
1	1		166,558,179			0		166,558,179	4	0	0	6,662,327	159,895,852
2	2		34,156,474			0		34,156,474	6	0	0	2,049,388	32,107,086
3	8		742,018	47,337		0	23,669	765,686	20	0	0	153,137	636,218
4	10		2,384,360	886,736		60,242	413,247	2,797,607	30	0	0	839,282	2,371,572
5	45		1,022,683	453,294		0	226,647	1,249,330	45	0	0	562,199	913,778
6	12		97,294	235,802		0	117,901	215,195	100	0	0	215,195	117,901
7	47		11,277,164	17,452,937		0	8,726,469	20,003,632	8	0	0	1,600,291	27,129,810
8	3			1,123,351		0	561,676	561,675	5	0	0	28,084	1,095,267
		Total	216,238,172	20,199,457		60,242	10,069,609	226,307,778				12,109,903	224,267,484

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

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

This schedule is to be completed by a corporation having one or more of the following:
– related corporation(s)
– associated corporations(s)

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

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

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

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")	200	32,666,893	A
Add: Cost of eligible capital property acquired during the taxation year	222	58,457	
Other adjustments	226		
Subtotal (line 222 plus line 226)		58,457 x 3 / 4 = 43,843	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	x 1 / 2 =	C
amount B minus amount C (if negative, enter "0")		43,843 ▶ 43,843	D
Amount transferred on amalgamation or wind-up of subsidiary	224		E
Subtotal (add amounts A, D, and E)	230	32,710,736	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
Other adjustments	246		I
(add amounts G,H, and I) x 3 / 4 =	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)		32,710,736	K
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
amount K		32,710,736	
less amount from line 249			
Current year deduction 32,710,736 x 7.00 % =	250	2,289,752 *	
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		2,289,752 ▶ 2,289,752	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")	300	30,420,984	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.

T2 SCH 10 (04)

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

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

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

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1	OPEB	4,682,000		317,000		4,999,000
2	Legal Claim Provision	249,401			2,532	246,869
3	Allow. for Doubtful Accounts	370,864			370,864	
4	Regulatory Assets	6,601,566	-15,381,842	10,782,135	6,601,566	-4,599,707
5						
	Reserves from Part 2 of Schedule 13					
	Totals	11,903,831	-15,381,842	11,099,135	6,974,962	646,162

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.

SCHEDULE 15

DEFERRED INCOME PLANS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

- Complete the information below if the corporation deducted payments from its income made to a registered pension plan (RPP), a registered supplementary unemployment benefit plan (RSUBP), a deferred profit sharing plan (DPSP), or an employee profit sharing plan (EPSP).
- If the trust that governs an employee profit sharing plan is **not resident** in Canada, please indicate if the T4PS, *Statement of Employees Profit Sharing Plan Allocations and Payments*, Supplementary slip(s) were filed for the last calendar year, and whether they were filed by the trustee or the employer.

	Type of plan (see note 1) 100	Amount of contribution $ (see note 2) 200	Registration number (RPP, RSUBP, and DPSP only) 300	Name of EPSP trust 400	Address of EPSP trust 500	T4PS slip(s) filed by: (see note 3) (EPSP only) 600
1	1	949,104	0345983	Ontario Municipal Employees Retirem	1 University Ave Suite 1000 Toronto ON CA M5J 2P1	

Note 1: Enter the applicable code number:

1 – RPP
2 – RSUBP
3 – DPSP
4 – EPSP

Note 2: You do not need to add to Schedule 1 any payments you made to deferred income plans. To reconcile such payments, calculate the following amount:

Total of all amounts indicated in column 200 of this schedule	949,104	A
Less:		
Total of all amounts for deferred income plans deducted in your financial statements	949,104	B
Deductible amount for contributions to deferred income plans (amount A minus amount B) (if negative, enter "0")		C

Enter amount C on line 417 of Schedule 1

Note 3: T4PS slip(s) filed by: 1 – Trustee
2 – Employer

T2 SCH 15 (06)

SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

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

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

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

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

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

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

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

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2004	$225,001 to $250,000
2005	$250,001 to $300,000
2006	maximum $300,000
2007	$300,001 to $400,000

If the calendar year to which this agreement applies is after 2007, ensure that the total at line A does not exceed $400,000.

Allocating the business limit

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

Enter the calendar year to which the agreement applies . . . . . . 050 Year 2006

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

	1 Names of associated corporations 100	2 Business Number of associated corporations 200	3 Association code 300	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % 350	6 Business limit allocated* $ 400
1	Hydro One Brampton Networks Inc.	86486 7635 RC0001	1	300,000	100.0000	300,000
2	Hydro One Inc.	86999 4731 RC0001	1	300,000		
3	Hydro One Networks Inc.	87086 5821 RC0001	1	300,000		
4	Hydro One Remote Communities Inc.	87083 6269 RC0001	1	300,000		
5	Hydro One Telecom Inc.	86800 1066 RC0001	1	300,000		
6	Hydro One Telecom Link Limited	88786 7513 RC0001	1	300,000		
7	Hydro One Brampton Inc.	86879 4520 RC0001	1	300,000		

	1 Names of associated corporations	2 Business Number of associated corporations	3 Association code	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit %	6 Business limit allocated* $	
	100	200	300		350	400	
8	Hydro One Lake Erie Link Management Inc	87892 1519 RC0001	1	300,000			
9	Hydro One Lake Erie Link Company Inc.	87560 6519 RC0001	1	300,000			
10	Hydro One Delivery Services Inc.	86917 7246 RC0001	1	300,000			
				Total	100.0000	300,000	A

Business limit reduction under subsection 125(5.1)

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

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

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. In this case, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

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

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

T2 SCH 23 (06)

SCHEDULE 29

PAYMENTS TO NON-RESIDENTS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

- A corporation that makes payments or credits amounts to non-residents under subsections 202(1) and 105(1) of the *Income Tax Regulations* has to file the applicable information return.
- The corporation has to complete the information below for all amounts paid or credited to non-residents that are listed in Note 1. If the total amount paid or credited is less than $100, you do not have to complete the information for that payee.

	Name (list each payee separately) 100	Address 200	Payment code (see note 1) 300	Amount $ 400
1	M. Varenhorst Consulting, LLC	114 Lillians Way Madison AL US 35758	04	32,546
2	Itron Inc.	2818 N Sulivan Road Spokane WA US 99216	04	9,818

Note 1: Enter the applicable payment code in column 300:

1 – Royalties
2 – Rents
3 – Management fees/commissions
4 – Technical assistance fees
5 – Research and development fees
6 – Interest
7 – Dividends
8 – Film payments: – motion picture film, or – a film or video tape for use in connection with television
9 – Other services

T2 SCH 29 (99)

SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2006-12-31

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

		Provide only one number per shareholder				
	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Business Number	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
	100	200	300	350	400	500
1	Hydro One Brampton Inc.	86879 4520 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						

T2 SCH 50 (06)

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

Apprenticeship Training Tax Credit (ATTC)

CT23 Schedule 114

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Instructions for completing the ATTC Claim Form

- Enter the relevant details for each eligible apprentice, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each eligible apprentice.
- Enter the total tax credit claimed on line 203, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Enter the total number of apprentices hired on line 202, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Corporations are eligible for a 25% (30% in the case of corporations with payroll not exceeding $400,000) refundable tax credit on wages and salaries paid or payable for services performed after May 18, 2004 by an eligible apprentice during the first 36 months of an apprenticeship.
- The maximum amount of credit that can be claimed in respect of each eligible apprentice is $5,000 per year to a maximum of $15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of $5,000 is pro-rated for the number of days the apprentice was employed during the taxation year.
- The credit is *considered government assistance* and is therefore *to be included in income* in the year the credit is claimed.

Summary of Apprenticeship Training Tax Credit Claimed

Complete a separate entry for each eligible apprentice that is in a qualifying skilled trade and hired before January 1, 2008. This credit applies to **salaries and wages paid after May 18, 2004 and before January 1, 2011** to eligible apprentices during the first 36 months of an apprenticeship.

Example: A taxpayer, with a December 31, 2004 taxation year end, hires an otherwise eligible apprentice on June 1, 2004 at a salary of $3,500 per month. The taxpayer's salaries and wages in the preceding taxation year were $700,000. The credit claimed is the lesser of *(1) 25% of salaries paid to the apprentice during the period of employment (25% x $3,500 x 7 = $6,125), and *(2) $5,000 multiplied by the number of days the apprentice was employed during the taxation year, divided by the total number of days in the calendar year ($5,000 x 214/366 = $2,923). Hence, the credit claimed in the 2004 taxation year is $2,923.

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social Insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Power Lineworker	Name Archdekin Alex SIN 520 291 584	2004-11-29	18953	From 2006-01-01 To 2006-12-31	54,212	5,000
434a	Power Lineworker	Name McIntosh Dan SIN 486 894 181	2005-05-26	19474	From 2006-01-01 To 2006-12-31	75,180	5,000
	See schedule					119,396	10,000
					Totals	5874 248,788	5898 20,000

If insufficient space, attach schedule

Transfer to 203 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

Corporation's salaries & wages paid in the preceding taxation year **A** $ 13,087,549

- If **A** is $600,000 or greater use 25%.
- If **A** is $400,000 or less use 30%.
- If **A** is over $400,000 but less than $600,000 use the following formula to calculate the specified percentage:

Specified percentage = .30 – [.05 (From **A** 13,087,549 – $400,000) ÷ $200,000]

Indicated specified percentage used 25.0000 %

*** Credit claimed equals lesser of:**

(1) EE multiplied by the specified percentage, and

(2) $5,000 x number of days the apprentice was employed in the taxation year / 365 (366 if leap year)

Total Number of Apprentices . . . . = 5896 4

Transfer to 202 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

Apprenticeship Training Tax Credit (ATTC)

CT23 Schedule 114

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social Insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Power Lineworker		2004-08-31	07683	From 2006-01-01 To 2006-12-31	59,329	5,000
434a	Power Lineworker		2002-02-07	A00800	From 2006-01-01 To 2006-12-31	60,067	5,000
					Totals	119,396	10,000

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.

Ministry Use

MGS Annual Return Required? *(Not required if already filed or Annual Return exempt. Refer to Guide)* ☐ Yes ☒ No

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 (year month day) 2006-01-01
End (year month day) 2006-12-31

Has the mailing address changed since last filed CT23 Return? ☐ Yes
Date of Change (year month day)

Date of Incorporation or Amalgamation (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
86486 7635 RC0001

Name of person to contact regarding this CT23 Return	Telephone No.	Fax No.
TONY PAUL	(905) 840-6300	(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 (year month day)
Ceased (year month day)
☒ *Not Applicable*

Former Corporation Name *(Extra-Provincial Corporations only)* ☒ *Not Applicable* (MGS)

Preferred Language / *Langue de préférence*
☒ English *anglais* ☐ French *français*

Ministry Use

Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). ▶ No. of Schedule(s):

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

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)*

A Paul.

Title: D ☐ Director O ☐ Officer P ☒ 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.

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable (X) box(es) and complete required information.

Type of corporation

1

1 [X] 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 [X] 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	
[ ]	[X]	Was the corporation inactive throughout the taxation year?
[X]	[ ]	Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?
		Are you requesting a refund due to:
[ ]	[X]	the Carry-back of a Loss?
[ ]	[X]	an Overpayment?
[ ]	[X]	a Specified Refundable Tax Credit?
[X]	[ ]	Are you a member of a Partnership or Joint Venture?

Complete if applicable

Ontario Retail Sales Tax Vendor Permit no. (Use head office no.): 0434-398

Ontario Employer Health Tax Account no. (Use head office no.): 111437811

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	24,329,912
Subtract: Charitable donations	–	1	740
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	
Net capital losses (page 16) From 715 ____ x inclusion rate 50.000000% =	–	714	
Farm losses	–	From 724	
Restricted farm losses	–	From 734	
Limited partnership losses	–	From 754	
Taxable Income (Non-capital loss)	=	10	24,329,172

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	24,329,172

Taxable Income

Number of Days in Taxation Year

From 10 (or 20 if applicable) 24,329,172 x 30 100.0000% Ontario Allocation x 12.5% x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ____ ÷ Total Days: 73 365) = + 29 ____

From 10 (or 20 if applicable) 24,329,172 x 30 100.0000% Ontario Allocation x 14% x (Days after Dec. 31, 2003: 34 365 ÷ Total Days: 73 365) = + 32 3,406,084

Income Tax Payable (before deduction of tax credits) 29 + 32 = 40 3,406,084

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

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

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X) ☐ Yes ☒ No

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

Ontario Business Limit Calculation

320,000 x (Days after Dec. 31, 2002 and before Jan. 1, 2004: 31 ____ ÷ ** 365) = + 46 ____

400,000 x (Days after Dec. 31, 2003: 34 365 ÷ ** 365) = + 47 400,000

Business Limit for Ontario purposes 46 + 47 = 44 400,000 x (Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.) 48 100.0000% = 45 400,000

Income eligible for the IDSBC From 30 100.0000% ***Ontario Allocation x 56 ____ (Least of 50 , 54 or 45) = 60 ____

* *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

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Income Tax *continued from Page 4*

Calculation of IDSBC Rate

Number of Days in Taxation Year

	Rate		Days after Dec. 31, 2002 and before Jan. 1, 2004 / Days after Dec. 31, 2003		Total Days			
Calculation of IDSBC Rate	7 %	x	31	÷ 73	365	= +	89	.
	8.5 %	x	34 365	÷ 73	365	= +	90	8.5000

IDSBC Rate for Taxation Year 89 + 90 = 78 8.5000

Claim From 60 ________ . x From 78 8.5000 % = 70 .

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in 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 24,329,172 .

If you are a member of an associated group (X) 81 X (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 24,329,172 .

Number of Days in Taxation Year

		Days after Dec. 31, 2002 and before Jan. 1, 2004 / Days after Dec. 31, 2003		Total Days			
320,000	x	31	÷ 73	365	= +	115	.
400,000	x	34 365	÷ 73	365	= +	116	400,000 .

115 + 116 = 400,000 . ▶ − 114 400,000 .

(If negative, enter nil) = 86 23,929,172 .

Calculation of Specified Rate for Surtax 4.6670 % x (Number of Days in Taxation Year: Days after Dec. 31, 2002 38 365 ÷ Total Days 73 365) = + 97 4.6670

From 86 23,929,172 . x From 97 4.6670 % = 87 1,116,774 .

From 87 1,116,774 . x From 60 ________ . ÷ From 114 400,000 . = 88 .

Surtax Lesser of 70 or 88 = 100

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

continued on Page 6

DOLLARS ONLY

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

110 .

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

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

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

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

Eligible Canadian Profits	+	120	.
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	− From	56	.

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 ______ . ÷ From 30 100.0000 % ÷ From 78 8.5000 % = 121 ______ .

*Ontario Allocation

Lesser of 56 or 121	+	122	.
120 − 56 + 122	=	130	.
Taxable Income	+ From	10	24,329,172 .
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	− From	56	.
Add: Adjustments for Surtax on Canadian-controlled private corporations	+ From	122	.
Subtract: Taxable Income 10 24,329,172 X Allocation % to jurisdictions outside Canada ______ %	−	140	.
Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses	−	141	48,654 .
10 − 56 + 122 − 140 − 141	=	142	24,280,518 .

Claim

Number of Days in Taxation Year

143 ______ . (Lesser of 130 or 142)	X From 30 100.0000 % (Ontario Allocation)	X 1.5 %	X	Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ______	÷ Total Days 73 365	= +	154 ______ .
143 ______ . (Lesser of 130 or 142)	X From 30 100.0000 % (Ontario Allocation)	X 2 %	X	Days after Dec. 31, 2003: 34 365	÷ Total Days 73 365	= +	156 ______ .

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 3,406,084 .

continued on Page 7

Income Tax *continued from Page 6*

Specified Tax Credits *(Refer to Guide)*

Ontario Innovation Tax Credit (OITC) (s.43.3) ***Applies*** to scientific research and experimental development in Ontario.
Eligible Credit From 5620 OITC Claim Form *(Attach original Claim Form)* + 191

Co-operative Education Tax Credit (CETC) (s.43.4) ***Applies*** to employment of eligible students.
Eligible Credit From 5798 CT23 Schedule 113 *(Attach Schedule 113)* + 192 2,000

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)
Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions. 204 Name of Production
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6)
Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. No. of Graduates From 6596 194
Eligible Credit From 6598 CT23 Schedule 115 *(Attach Schedule 115)* + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)
Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.
Eligible Credit From 6900 OBPTC Claim Form *(Attach both the original Claim Form and the Certificate of Eligibility)* + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)
Applies to labour relating to computer animation and special effects on an eligible production.
Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)
Applies to qualifying R&D expenditures under an eligible research institute contract.
Eligible Credit From 7100 OBRITC Claim Form *(Attach original Claim Form)* + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)
Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.
Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)
Applies to qualifying labour expenditures of eligible products for the taxation year.
Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)
Applies to qualifying expenditures in respect of eligible Canadian sound recordings.
Eligible Credit From 7500 OSRTC Claim Form *(Attach both the original Claim Form and the Certificate of Eligibility)* + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13)
Applies to employment of eligible apprentices. No. of Apprentices From 5896 202 4
Eligible Credit From 5898 CT23 Schedule 114 *(Attach Schedule 114)* + 203 20,000

Other (specify) + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220 22,000

Specified Tax Credits ***Applied to reduce Income Tax*** = 225 22,000

Income Tax 190 – 225 **OR Enter NIL if reporting Non-Capital Loss** *(amount cannot be negative)* = 230 3,384,084

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

OR

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

DOLLARS ONLY

Total Assets of the corporation	+ 240	349,554,168
Total Revenue of the corporation	+ 241	329,372,600

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. = 249 349,554,168

Aggregate Total Revenue 241 + 244 + 246 + 248, etc. = 250 329,372,600

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 20,534,392 (If negative, enter zero) X From 30 100.0000 % (Ontario Allocation) X 4 % = 276 821,376

Subtract: Foreign Tax Credit for CMT purposes *(Attach Schedule)*	− 277	
Subtract: Income Tax	− From 190	3,406,084
Net CMT Payable (If negative, enter Nil on Page 17.)	= 280	-2,584,708

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	3,406,084
Gross CMT Payable	+ From 276	821,376		
Subtract: Foreign Tax Credit for CMT purposes	− From 277			
If 276 − 277 is negative, enter NIL in 290	=	821,376	− 290	821,376
Income Tax eligible for CMT Credit			= 300	2,584,708

B.

Income Tax (after deduction of specified credits)	+ From 230	3,384,084
Subtract: CMT credit used to reduce income taxes	− 310	
Income Tax	= 320	3,384,084 *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.

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	51,501,490
Retained earnings (if deficit, deduct) (Int.B. 3012R)	±	351	31,119,000
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	+	352	60,059,581
Loans and advances *(Attach schedule)* (Int.B. 3013R)	+	353	155,953,327
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	646,162
Other reserves not allowed as deductions for income tax purposes *(Attach schedule)* (Int.B. 3012R)	+	361	
Share of partnership(s) or joint venture(s) paid-up capital *(Attach schedule(s))* (Int.B. 3017R)	+	362	
Subtotal	=	370	299,279,560
Subtract: Amounts deducted for income tax purposes in excess of amounts booked *(Retain calculations. Do not submit.)* (Int.B. 3012R)	–	371	3,754,607
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	295,524,953
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	295,524,953

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	
Share of partnership(s) or joint venture(s) eligible investments *(Attach schedule)*	+	407	13,968
Total Eligible Investments	=	410	13,968

continued on Page 10

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

Total Assets per balance sheet	+	420	349,583,230
Mortgages or other liabilities deducted from assets	+	421	
Share of partnership(s)/joint venture(s) total assets *(Attach schedule)*	+	422	24,938
Subtract: Investment in partnership(s)/joint venture(s)	–	423	54,000
Total Assets as adjusted	=	430	349,554,168
Amounts in 360 and 361 (if deducted from assets)	+	440	
Subtract: Amounts in 371, 372 and 381	–	441	3,754,607
Subtract: Appraisal surplus if booked	–	442	
Add or Subtract: Other adjustments (specify on an attached schedule)	±	443	
Total Assets	=	450	345,799,561

Investment Allowance (410 ÷ 450) x 390 — Not to exceed 410	=	460	11,937
Taxable Capital 390 – 460	=	470	295,513,016

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	480	329,372,600
Total Assets (as adjusted)	From 430	349,554,168

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		Total Days			
5,000,000 x	Days before Jan. 1, 2005	35	÷ 73	365	= +	500	
7,500,000 x	Days after Dec. 31, 2004 and before Jan. 1, 2006	36	÷ 73	365	= +	501	
10,000,000 x	Days after Dec. 31, 2005 and before Jan. 1, 2007	37 365	÷ 73	365	= +	502	10,000,000

Taxable Capital Deduction (TCD) 500 + 501 + 502 = 503 10,000,000

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 ______
– From 503 ______
= 471 ______ x From 30 100.0000 % (Ontario Allocation) x 0.3 % x 555 365 (Days in taxation year) / 365 (366 if leap year) = + 523 ______

If floating taxation year, refer to Guide.

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

continued on Page 11

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

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 poinL

D2. [X] 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 totel 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 470 295,513,016

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	9,234,382,855
			+ 532	
			+ 533	
Aggregate Taxable Capital 470 + 531 + 532 + 533, etc.			= 540	9,529,895,871

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 470 295,513,016 ÷ From 540 9,529,895,871 × From 503 10,000,000 = 541 291,007

Transfer to 542 in Section E on page 12

Ss.69(2.1) Election Filed

[ ] 591 (X if applicable) **Election filed.** *Attach a copy of Schedule 591 with this CT23 Return.* Proceed to **Section F** on page 12.

continued on Page 12

DOLLARS ONLY

Capital Tax Calculation *continued from Page 11*

SECTION E

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] 295,513,016 •
− [542] 291,007 •
= [471] 295,222,009 • × From [30] 100.0000 % (Ontario Allocation) × 0.3 % × [555] 365 (Days in taxation year) / * 365 (366 if leap year) = + [523] 885,666 • (**Total Capital Tax for the taxation 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

+ From [470] ______ • × From [30] 100.0000 % (Ontario Allocation) × 0.3 % = + [561] ______ •

− Capital tax deduction from [995] relating to **your corporation's** Capital Tax deduction, on Schedule 591 − From [995] ______ •
= [562] ______ •

Total Capital Tax for the taxation year

Capital Tax [562] ______ • × [555] 365 (Days in taxation year) / * 365 (366 if leap year) = [563] ______ •

Transfer to [543] and complete the return from that point

* *If floating taxation year, refer to Guide.*

Capital Tax before application of specified credits = [543] 885,666 •
Subtract: Specified Tax Credits applied to reduce capital tax payable *(Refer to Guide)* − [546] •
Capital Tax [543] − [546] *(amount cannot be negative)* = [550] 885,666 •
Transfer to Page 17

continued on Page 13

Capital Tax *continued from Page 12*

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

For taxation years commencing after **May 4, 1999** enter NIL in [550] on page 12, and complete the return from that point.

1.2 Other than Credit Unions

(Retain details of calculations for amounts in boxes [565] and [570]. Do not submit with this tax return.)

[565] ______ x 0.6 % x From [30] 100.0000 % x [555] 365 (Days in taxation year) ÷ * 365 (366 if leap year) = + [569] ______

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

[570] ______ x [571] ______ x From [30] 100.0000 % x [555] 365 (Days in taxation year) ÷ * 365 (366 if leap year) = + [574] ______

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount — Capital Tax Rate *(Refer to Guide)* — Ontario Allocation

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

DOLLARS ONLY

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

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 ± 600 24,329,912 • *Transfer to Page 15*

Add:

Federal capital cost allowance	+	601	12,109,903 •
Federal cumulative eligible capital deduction	+	602	2,289,752 •
Ontario taxable capital gain	+	603	48,654 •
Federal non-allowable reserves. Balance beginning of year	+	604	-3,478,011 •
Federal allowable reserves. Balance end of year	+	605	•
Ontario non-allowable reserves. Balance end of year	+	606	646,162 •
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-arms' length non-residents ▼

Number of Days in Taxation Year

612 ______ •	× 5 / 12.5 ×	Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ______	÷	Total Days: 73 365	= +	633 ______ •
612 ______ •	× 5 / 14 ×	Days after Dec. 31, 2003: 34 365	÷	Total Days: 73 365	= +	634 ______ •

Total add-back amount for Management fees, etc. 633 + 634 = ______ • ▶	+	613	
Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661 excluding any negative amount in 473 from Ont. CT23 Schedule 161	+	615	
Add any negative amount in 473 from Ont. CT23 Schedule 161	+	616	
Federal allowable business investment loss	+	620	•
Total of other items not allowed by Ontario but allowed federally *(Attach schedule)*	+	614	•

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 11,616,460 • ▶ 640 11,616,460 • *Transfer to Page 15*

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	+	650	12,109,903 •
Ontario cumulative eligible capital deduction	+	651	2,289,752 •
Federal taxable capital gain	+	652	48,654 •
Ontario non-allowable reserves. Balance beginning of year	+	653	-3,478,011 •
Ontario allowable reserves. Balance end of year	+	654	•
Federal non-allowable reserves. Balance end of year	+	655	646,162 •
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 11,616,460 • *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 24,329,912

Total of Additions on page 14 - From = 640 11,616,460

Sub Total of deductions on page 14 - From = 681 11,616,460

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

[From 662 × 100 / (From 30: 100.0000 Ontario Allocation)] − From 662 = 663

Workplace Child Care Tax Incentive (WCCT)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [665 × 30 % × 100 / (From 30: 100.0000 Ontario allocation)] = 666

Workplace Accessibility Tax Incentive (WATI)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [667 × 100 % × 100 / (From 30: 100.0000 Ontario allocation)] = 668

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: [670 × 30 % × 100 / (From 30: 100.0000 Ontario allocation)] = 671

Educational Technology Tax Incentive (ETTI)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [672 × 15 % × 100 / (From 30: 100.0000 Ontario allocation)] = 673

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 = 11,616,460 ▶ 680 11,616,460

Net income (loss) for Ontario Purposes 600 + 640 − 680 - = 890 24,329,912

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 1998-07-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1999-07-31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 2000-07-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2001-07-31	820	830	840	853	873
804 5th preceding taxation year 2001-12-31	821	831	841	854	874
805 4th preceding taxation year 2002-12-31	822	832	842	855	875
806 3rd preceding taxation year 2003-12-31	823	833	843	856	876
807 2nd preceding taxation year 2004-12-31	824	834	844	857	877
808 1st preceding taxation year 2005-12-31	825	835	845	858	878
809 Current taxation year 2006-12-31	826	836	846	859	879
Total	829	839	849	869	889

Notes:

(1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.

(2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.

(3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.

(4) To the extent of applicable gains/income/at-risk amount only.

(5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.

(6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.

(7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.

(8) Amount in 709 must equal total of 829 + 839.

(9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

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

	Predecessor Ontario Corporation's Tax Account No. (MOF)	Taxation Year Ending year month day	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						
i) 3rd preceding	901	2003-12-31	911	921	931	941
ii) 2nd preceding	902	2004-12-31	912	922	932	942
iii) 1st preceding	903	2005-12-31	913	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	3,384,084
Corporate Minimum Tax	+	From 280	
Capital Tax	+	From 550	885,666
Premium Tax	+	From 590	
Total Tax Payable	=	950	4,269,750
Subtract: Payments	–	960	4,485,263
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	-215,513
If payment due	Enclosed *	990	
If overpayment: Refund *(Refer to Guide)*	=	975	
Apply to year month day 2007-01-01		980	215,513 *(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

c/o 175 Sandalwood Parkway, W

Brampton

ON CA L7A 1E8

Signature: A Paul.

Date: 2007-05-31

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

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/5	220,857,895	00
Less: Land	-8,146,892	00
UCC	-224,267,485	00
NBV - Goodwill (UCC bump up at acqn.)	60,059,581	00
CEC	-30,420,984	00
25% of original CEC (58,882,890)	-14,720,723	00
25% of ECE addition - 2001 (16,172)	-4,043	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
25% of ECE addition - 2006 (58,458)	-14,615	00
Deferred Debt cost - Accounting	643,430	00
Total	3,754,607	00

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

Surtax on Canadian-Controlled Private Corporations

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Name of Associated Corporation (Canadian and Foreign)	Corporations Tax Number	Taxation Year End	Taxation Income (if loss, enter nil)
Hydro One Inc.	1800002	2006-12-31	+
Hydro One Networks Inc.	1800029	2006-12-31	+
Hydro One Remote Communities Inc.	1800030	2006-12-31	+
Hydro One Telecom Inc.	1800031	2006-12-31	+
Hydro One Telecom Link Limited	1800343	2006-12-31	+
Hydro One Brampton Inc.	1800039	2006-12-31	+
Hydro One Lake Erie Link Management Inc	7876414	2006-12-31	+
Hydro One Lake Erie Link Company Inc.	7867914	2006-12-31	+
Hydro One Delivery Services Inc.	1800034	2006-12-31	+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
		Total Transfer to 85 of the CT23	=

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Paid-Up Capital: Loans and Advances

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

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

Primary Debt (2520/302000)	+	143,000,000
Bank Indebtness (6310106-805793)	+	5,504,313
Customer Deposits (443000)	+	7,449,014
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
	+	
Total *Transfer to* 353 *of the CT23*	=	155,953,327

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Eligible Investments - Partnerships/Joint Ventures

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Name of Partnership or Joint Venture	Share of Partnership Using Profit Sharing Ratio (%)	Partnership/Joint Venture Investments	Corporation's Share of Partnership/Joint Venture Investments
The Enerconnect Limited Partnership	1.8468 %	756,353	+ 13,968
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
		Total *Transfer to* 407 *of the CT23*	= 13,968

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Oshawa ON L1H 8E9

Share of Total Assets - Partnerships/Joint Ventures

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Name of Partnership or Joint Venture	Share of Partnership Using Profit Sharing Ratio (%)	Partnership/Joint Venture Total Assets	Corporation's Share of Partnership/Joint Venture Total Assets
The Enerconnect Limited Partnership	1.8468 %	1,350,336	+ 24,938
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
	%		+
		Total Transfer to 422 of the CT23	= 24,938

Ministry of Finance
Corporations Tax
33 King Street West
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Ontario Charitable Donations and Gifts
Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

- For use by a corporation to claim any of the following:
  - Charitable donations;
  - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
  - Gifts to Canada or a province;
  - Gifts of certified cultural property; or
  - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- For donations and gifts made after March 22, 2004, subsection 34(1.1) of the *Corporations Tax Act* parallels subsection 110.1(1.2) of the *Income Tax Act* and provides as follows:
  - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by a particular corporation to a qualified donee before the change of control;
  - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your CT23.

Part 1 – Charitable Donations

Charitable Donations at end of preceding taxation year			+	A
Deduct: Donations expired after 5 taxation years			–	B
Charitable donations at beginning of taxation year			=	C
Add: Donations transferred on amalgamation or wind-up of subsidiary	+	D		
Total current year charitable donations made	+	740 E		
Subtotal D + E	=	740	▶	740 F
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)			–	G
Total donations available **C + F – G**			=	740 H
Deduct: Amount applied against taxable income (amount **U**, Part 2)			–	740 U
Charitable donations closing balance			=	I

Part 2 – Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75% .... = 18,247,434 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 .... = 18,247,434 T

Claim for charitable donations (not exceeding the lesser of **H** from Part 1, **T** and net income for tax purposes) 740 U

Enter in 1 *of the CT23*

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Part 3 – Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at end of the preceding taxation year		+	
Deduct: Gifts expired after 5 years		–	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year		=	
Add: Gifts transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts	+		
Subtotal	=	▶	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		–	
Total gifts available		=	
Deduct: Amount applied against taxable income [2] of the CT23		–	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance		=	

Foundation Name	Date of Donation	Amount $

Total gifts to Her Majesty in right of Ontario =

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

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario			24,329,172 V
2. **Lesser of:**			
2a. Ontario Net Income for the taxation year	24,329,912 W		
2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation	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		=	

Ontario Charitable Donations and Gifts

Schedule 2

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Part 6 – Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year		+	
Deduct: Gifts of certified cultural property expired after five years		–	
Gifts of certified cultural property at the beginning of the taxation year		=	
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified cultural property	+		
Subtotal	=	▶	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		–	
Total gifts of certified cultural property available		=	
Deduct: Amount applied against taxable income		–	
Gifts of certified cultural property closing balance		=	

Part 7 – Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year		+	
Deduct: Gifts of certified ecologically sensitive land expired after five years		–	
Gifts of certified ecologically sensitive land at the beginning of the taxation year		=	
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified ecologically sensitive land	+		
Subtotal	=	▶	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		–	
Total gifts of certified ecologically sensitive land available		=	
Deduct: Amount applied against taxable income		–	
Gifts of certified ecologically sensitive land closing balance		=	

Part 8 – Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2005-12-31					
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
2001-07-31					
Totals					

Ministry of Finance
Corporations Tax Branch
PO Box 620
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Oshawa ON L1H 8E9

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

- **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.**

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*.

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

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.

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

1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)

Part 1 – Shares

	No. of shares	Name of corporation	Class of shares	2	3	4	5	6	7
1									

Totals	A	
Before February 28, 2000	A1	
After February 27, 2000 and before October 18, 2000	A2	
After October 17, 2000	A3	

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)

Part 2 – Real Estate *(Do not include losses on depreciable property)*

	Municipal address	2	3	4	5	6	7
1	Land MS16	2000-05-01		150,000	44,510	8,183	97,307
2							
3							

Totals	97,307	B
Before February 28, 2000		B1
After February 27, 2000 and before October 18, 2000		B2
After October 17, 2000	97,307	B3

Part 3 – Bonds

	Face value	Maturity date YYYY/MM/DD	Name of issuer	2	3	4	5	6	7
1									

Totals		C
Before February 28, 2000		C1
After February 27, 2000 and before October 18, 2000		C2
After October 17, 2000		C3

Part 4 – Other properties *(Do not include losses on depreciable property)*

	Description	2	3	4	5	6	7
1							

Totals		D
Before February 28, 2000		D1
After February 27, 2000 and before October 18, 2000		D2
After October 17, 2000		D3

Part 5 – Personal-use property

	Description of capital property	2	3	4	5	6	7
1							

Note: Losses are not deductible

Net gain or (loss)		E
Before February 28, 2000		E1
After February 27, 2000 and before October 18, 2000		E2
After October 17, 2000		E3

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)

Part 6 – Listed personal property

	Description	2	3	4	5	6	7
1							

Deduct: Unapplied listed personal property losses from other years –

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

Net gain or (loss) F

LPP gains or losses realized before February 28, 2000

Gain or loss on dispositions before February 28, 2000	±	
Less: Portion of unapplied LPP losses from other years applicable to gain before February 28, 2000	–	
Net gain (loss) on dispositions before February 28, 2000	=	F1

LPP gains or losses realized after February 27, 2000 and before October 18, 2000

Gain or loss on dispositions after February 27, 2000 and before October 18, 2000	±	
Less: Portion of unapplied LPP losses from other years applicable to gain after February 27, 2000 and before October 18, 2000	–	
Net gain (loss) on dispositions after February 27, 2000 and before October 18, 2000	=	F2

LPP gains or losses realized after October 17, 2000

Gain or loss on dispositions after October 17, 2000	±	
Less: Portion of unapplied LPP losses from other years applicable to gain after October 17, 2000	–	
Net gain (loss) on dispositions after October 17, 2000	=	F3

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

	1 Name of small business corporation	Shares – enter 1 Debt – enter 2	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario loss (col. 4 less cols. 5 & 6)
1								
				Totals				

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

Net Loss	G
Before February 28, 2000	G1
After February 27, 2000 and before October 18, 2000	G2
After October 17, 2000	G3

Ontario Summary of Dispositions of Capital Property

Schedule 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Determining capital gains and capital losses

Total of A to F (Do not include F if it is a loss)		97,307
Add: Amount (if any) of capital gain reserve opening balance from Schedule 13	+	
Capital gain dividend received in the year	+	
Subtotal	=	97,307
Deduct: Amount (if any) of capital gain reserve closing balance from Schedule 13	–	
Gain or Loss (excluding Allowable Business Investment Losses)	=	97,307 Z

Determining the inclusion rate

Gains or losses realized before February 28, 2000

Total of A1 to G1		
Add: Capital gains dividend attributable to period before February 28, 2000	+	
Capital gain reserve opening balance (only if taxation year commenced before February 28, 2000)	+	
Subtotal	=	
Deduct: Portion of capital gains reserve closing balance applicable to dispositions before February 28, 2000	–	
Gains or Losses	=	H

Gains or losses realized after February 27, 2000 and before October 18, 2000

Total of A2 to G2		
Add: Capital gains dividend attributable to period after February 27, 2000 and before October 18, 2000	+	
Capital gain reserve opening balance (only if taxation year commenced after February 27, 2000 and before October 18, 2000)	+	
Subtotal	=	
Deduct: Portion of capital gains reserve closing balance applicable to dispositions after February 27, 2000 and before October 18, 2000	–	
Gains or Losses	=	I

Gains or losses realized after October 17, 2000

Total of A3 to G3		97,307
Add: Capital gains dividend attributable to period after October 17, 2000	+	
Capital gain reserve opening balance (only if taxation year commenced after October 17, 2000)	+	
Subtotal	=	97,307
Deduct: Portion of capital gains reserve closing balance applicable to dispositions after October 17, 2000	–	
Gains or Losses	=	97,307 J

Calculate Inclusion Rate

	Gains or losses		Inclusion Rate		Net capital gain / capital loss
	H	x	75%	=	K
	I	x	66 2/3%	=	L
Subtotal	M	x	%	=	AA
	97,307 J	x	50%	=	48,654 N
Total	97,307 O	x	50.000000 %	=	48,654 P

Inclusion rate P ÷ O (expressed as a percentage) .... 50.000000 Q %

Note: (1) Mutual fund corporations may treat their capital gains and losses as if they were earned on an equal basis throughout the year for the purposes of determining net capital gains or losses attributable to a particular period within the year.

(2) If either lines H or I are positive and the other one is negative, enter the difference on the subtotal line M. Use the inclusion rate from which the larger amount originates and calculate the net gain or net loss based on that rate. If either line J or M are positive and the other is negative enter the difference on line O and use the inclusion rate where the higher amount originated.

Allowable business investment loss . . (G1+ G2+ G3) X Inclusion Rate 50.000000 Q % = G4

Transfer to 678 *of the CT23*

Determining taxable capital gains

Gain or Loss (excluding Allowable Business Investment Losses)				97,307 Z
Deduct: Gain on donations (made to charities other than private foundations) of securities listed on a prescribed stock exchange divided by 2 (for donations made after February 18, 1997 and before the year 2002.)		x	50 %	–
Gain on donation of ecologically sensitive land after February 27, 2000		x	50 %	–
Gains or Loss *Include 100% of the losses in box* 711 *of the CT23*				97,307 R

Taxable capital gains 97,307 R x Inclusion Rate 50.000000 Q % = 48,654 S

Transfer to 603 *of the CT23*

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

Ontario Capital Cost Allowance
Schedule 8

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

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

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	166,558,179			0	166,558,179		166,558,179	4	0	0	6,662,327	159,895,852
2	34,156,474			0	34,156,474		34,156,474	6	0	0	2,049,388	32,107,086
8	742,018	47,337		0	789,355	23,669	765,686	20	0	0	153,137	636,218
10	2,384,360	886,736		60,242	3,210,854	413,247	2,797,607	30	0	0	839,282	2,371,572
45	1,022,683	453,294		0	1,475,977	226,647	1,249,330	45	0	0	562,199	913,778
12	97,294	235,802		0	333,096	117,901	215,195	100	0	0	215,195	117,901
47	11,277,164	17,452,937		0	28,730,101	8,726,469	20,003,632	8	0	0	1,600,291	27,129,810
3		1,123,351		0	1,123,351	561,676	561,675	5	0	0	28,084	1,095,267
Totals	216,238,172	20,199,457		60,242	236,377,387	10,069,609	226,307,778				12,109,903	224,267,484

Enter in boxes 650 . . . . 650 . . . . 650 on the CT23.

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

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

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

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PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Ontario Cumulative Eligible Capital Deduction
Schedule 10

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

- **For use by a corporation that has eligible capital property.**
- **A separate cumulative eligible capital account must be kept for each business.**

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

Ontario Cumulative eligible capital – balance at end of preceding taxation year *(if negative, enter zero)*			32,666,893 A
Add: Cost of eligible capital property acquired during the taxation year	+	58,457 B	
Amount transferred on amalgamation or wind-up of subsidiary	+	C	
Other adjustments	+	D	
Total of B + C + D	=	58,457	x 3 / 4 = 43,843 E
Subtotal A + E			= 32,710,736 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			= 32,710,736 K

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

Current year deduction 32,710,736 K x 7 % * = 2,289,752 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)* = 30,420,984 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			O
N - O *(cannot be negative)*			P
Amount on line 5	x 1 / 2		Q
P - Q			R
Amount on line **R**	x 2 / 3		S
Lesser of line **N** or line **O**			T
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

Ministry of Finance
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Oshawa ON L1H 8E9

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	2006-12-31

For use by a corporation to provide a continuity of all reserves claimed which are allowed for tax purposes.

Part 1 – Capital gains reserves

Description of property	Ontario balance at the beginning of the year $	Transfer on amalgamation or wind-up of subsidiary $	Add	Deduct	Ontario balance at the end of the year $
1					
Totals	A	B			C

The total capital gains reserve at the beginning of the taxation year **A** plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary **B**, should be entered on Schedule 6; and the total capital gains reserve at the end of the taxation year **C**, should also be entered on Schedule 6.

Part 2 – Other reserves

Description	Ontario balance at the beginning of the year $	Transfer on amalgamation or wind-up of subsidiary $	Add	Deduct	Ontario balance at the end of the year $
Reserve for doubtful debts					
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	4,682,000		317,000			4,999,000
Legal Claim Provision	249,401			2,532		246,869
Allow. for Doubtful Accounts	370,864			370,864		
Regulatory Assets	6,601,566	-15,381,842	10,782,135	6,601,566		-4,599,707
Reserves from Part 2						
Totals	11,903,831	-15,381,842	11,099,135	6,974,962		646,162

Enter in box 653 of the CT23 *Enter in box 606 of the CT23*

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

Taxable Capital of Associated Corporations

(Applicable to an associated group that has a permanent establishment in Canada)

Schedule CT21

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

This schedule must be completed in determining the aggregate taxable capital of an associated group and/or partnership that has a permanent establishment (PE) in Canada.

Name of Associated Corporation (Must have a PE in Canada)	Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End		Taxable Capital
Hydro One Inc.	1800002	2005-12-31	+	77,366,536
Hydro One Networks Inc.	1800029	2005-12-31	+	9,055,481,935
Hydro One Remote Communities Inc.	1800030	2005-12-31	+	48,484,194
Hydro One Telecom Inc.	1800031	2005-12-31	+	50,063,559
Hydro One Telecom Link Limited	1800343	2005-12-31	+	977,005
Hydro One Brampton Inc.	1800039	2005-12-31	+	
Hydro One Lake Erie Link Management Inc	7876414	2005-12-31	+	
Hydro One Lake Erie Link Company Inc.	7867914	2005-12-31	+	1,964,608
Hydro One Delivery Services Inc.	1800034	2005-12-31	+	45,018
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
		Aggregate of taxable capital	=	9,234,382,855

Transfer to box 540 *of the CT23*

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

Cooperative Education Tax Credit (CETC)
CT23 Schedule 113

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Hydro One Brampton Networks Inc.	1800040	2006-12-31

Instructions for completing the CETC Claim Form

- Enter the relevant details for each qualifying work placement, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each qualifying work placement.
- Enter the total tax credit claimed on line 192, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
  - The maximum amount of credit that can be claimed in respect of each work placement is $1,000.
- Ensure you have the following documentation (Do not include with the form or tax return.):
  - a letter of certification from the Ontario college, university other post-secondary institution, containing information as specified by the Minister, stating that the student is enrolled in a qualifying education program; or
  - a voucher for leading-edge technology programs, other than an apprenticeship, stating that the educational program meets the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.
- The credit is **considered government assistance** and is therefore **to be included in income** in the year the credit is claimed.

Summary of Co-operative Education Tax Credit Claimed

Complete a separate entry for each student work placement which ended during the corporation's taxation year. The tax credit is for co-op work placements and leading-edge technology work placements. A work placement is generally considered to be a full-time work assignment for up to 4 months in duration.

Example: If a corporation, with a December 31, 2001 taxation year end, hires an eligible student from September 1, 2001 until April 30, 2002, this would be considered 2 work placements. The first work placement is September 1, 2001 to December 31, 2001 and would be claimed in the 2001 taxation year. The second placement is January 1, 2002 to April 30, 2002 and must be claimed in the 2002 taxation year.

Qualifying Work Placements

Name of University/ College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates (year month day)	Eligible Costs of Placement (ECP)	* Credit Claimed (See notes below) (max. $1,000 per work placement)
Georgian College Electrical Engineering			From 2006-09-01 To 2006-12-31	9,680	1,000
Georgian College Electrical Engineering			From 2006-01-01 To 2006-04-30	10,317	1,000
			From To		
If insufficient space, attach schedule			**Totals**	5774 19,997	5798 2,000

Transfer to 192 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

Note: Enter corporation's salaries & wages paid in the preceding taxation year A $ 13,087,549

If A is $600,000 or greater use 10%. If A is $400,000 or less use 15%.

If A is over $400,000 but less than $600,000 use the following formula to calculate the rate:

Rate =.15 – [.05 (From A 13,087,549 – $400,000) ÷ $200,000]

Indicate rate used: 60.0000 %. ***Credit claimed equals ECP multiplied by rate.**

2007

Tax Returns and

Financial Statements

T2-RETURN AND SCHEDULE INFORMATION

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

This page must be attached to your return and sent to the Canada Revenue Agency

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

[redacted]

[001] 86486 7635 RC 0001

[060] 2007 01 01

[061] 2007 12 31 [redacted]

[099] EP09

XXXXXXXXXXX

[002] Hydro One Brampton Networks Inc.

[003] 2

[004] ____________

XXXXXXXXXXX

[010]@ 2

[011] ____________

[012] ____________

[015] ____________ [redacted]

[016] ____________

[017] ____________

[018] ____________

[020]@ 2

[021] ____________

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[023] ____________ [redacted]

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[028] ____________

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

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Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001

Taxation Year End: 2007-12-31

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T2-RETURN AND SCHEDULE INFORMATION

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001 **Taxation Year End:** 2007-12-31

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

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 GIFI [line 200300]	32 550 421
Part I tax payable [line 200700]	0
Part I.3 tax payable [line 200704]	0
Part II surtax payable [line 200708]	0
Part III.1 tax payable [line 200710]	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 territoral 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.

June 6, 2008	A Paul.	CONTROLLER
Date	Signature of an authorized signing officer of the corporation	Position, office or rank

T2-RETURN AND SCHEDULE INFORMATION

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

[100] 1. Hydro One Brampton Inc. *

[200] 1. 86879 4520 RC 0001 *

[300] 1. ________________ *

[350] 1. ________________ *

[400] 1. 100 *

[500] 1. ________________ *

XXXXXXXXXXX

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

[3640] ________________

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

BN: 86486 7635 RC 0001 **Taxation Year End: 2007-12-31**

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[0003] ______________
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[9660] ______________
[9898] 0
XXXXXXXXXXX

[8000] ______________
[8299] 0
XXXXXXXXXXX

[8300] ______________
[9368] 0
XXXXXXXXXXX

[9370] ______________
[9659] 0
XXXXXXXXXXX

Name: Hydro One Brampton Networks Inc.

BN: 86486 7635 RC 0001 **Taxation Year End:** 2007-12-31

[095] ____________

[097] ____________

[101] ____________

[108] ____________

XXXXXXXXXXX

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 $18,528,211.

Canada Revenue Agency / Agence du revenu du Canada

CLAIM FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) CARRIED OUT IN CANADA

- Use this form to claim SR&ED carried out in Canada during the year. File it with your return of income.
- If you are filing a T2 corporation return of income, place this form on top of the return so that we can identify your SR&ED claim quickly.
- Use a separate form to support SR&ED expenditures incurred by each partnership of which you are a partner.
- Use Guide T4088, *Claiming Scientific Research and Experimental Development Expenditures*, to help you fill out this form. You can also consult our Web site at **www.cra.gc.ca/sred/** for an online help guide.
- If the SR&ED was performed in the province of Newfoundland and Labrador, Nova Scotia, New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, or British Columbia, or in the Yukon Territory, you may be entitled to a provincial or territorial tax credit.
- Complete schedules A, B, C, D, E and F, if they apply to your situation.
- Prepare and retain schedules to support the breakdown for each expenditure claimed in this form and on the required attachments.
- On this form, references to the Act are to the *Income Tax Act*. References to the Regulations are to the *Income Tax Regulations*.
- All the information requested in this form including the attachments, schedules and any other document supporting your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2SCH31 or Form T2038(IND), within 12 months of the filing-due date of your return of income for the year you incurred the expenditures. If you do not meet this reporting deadline, we may reject your claim.

Part 1 – General Information

Name of claimant Hydro One Brampton Networks Inc.	Claimant's business address and postal code 175 Sandalwood Parkway West Brampton L7A 1E8 Claimant's Web site (if available) http://www.
Business Number, social insurance number, or partnership identification number 86486 7635 RC0001	Return for tax year from: 2007-01-01 (Year Month Day) to: 2007-12-31 (Year Month Day)
100 Name of contact person TONY PAUL	**142** Is the claim filed for a partnership? 1 Yes [ ] 2 No [X]
105 Telephone number/extension (905) 452-5505 — **110** Fax number (905) 940-1915	**145** If *yes*, what is the name of the partnership?
130 Is this the first time you are claiming for SR&ED? 1 Yes [X] 2 No [ ]	**150** Percentage of SR&ED investment tax credits allocated from the partnership %
132 If not, when was the last claim? Year	**155** Name of the person or firm who prepared this claim PricewaterhouseCoopers LLP

Certification and Election

I certify that I have examined the information provided on this form, and on the related schedules and attachments and it is true, correct, and complete.

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for the year. I understand that my election (choice) is irrevocable for this year.

160 I elect to use the proxy method under clause 37(8)(a)(ii)(B) 1 Yes [X]

162 I choose to use the traditional method 1 Yes [ ]

165 TONY PAUL — A Paul — **170** June 6/08

Name of authorized signing officer of the corporation, authorized partner, or individual — Signature — Date

For Canada Revenue Agency use only

490 ______ **491** ______ **492** ______

T661 E (07)

Canada

Part 2 – Scientific or Technological Project Information

Provide the information requested in Step 1 on separate sheets of paper for each project, and attach them to this form. If you have more than 20 projects, you only need to provide project descriptions for the 20 that are largest in term of dollar value. For step 2, provide the information requested on this form and complete Schedule E. For more information, see Guide T4088, *Claiming Scientific Research and Experimental Development*.

Step 1 – Detailed project description

Identify each of the projects you are claiming and use questions A to E below to help you provide the information we need to process your claim. If the project is continuing from last year and the objective has not changed or been achieved, you can use the same information that you provided last year for questions A, B and C. Include sufficient information to show how your project work meets the requirements of the SR&ED Program.

We recommend that you read Guide T4088 before you answer questions A to E. This will help you understand the type of information the Canada Revenue Agency needs to process your claim and will reduce or eliminate the need for you to submit more information. It will also help you avoid preparing unnecessary information. Most projects can be described in four pages or less. It would be helpful to take into account whether your project involved experimental development work or scientific research work, because the eligibility requirements for these are different. In general, **experimental development** work is done either in or outside a laboratory in order to achieve a technological advancement for creating new, or improving existing materials, devices, products, or processes. Scientific research work is done mostly in a laboratory setting to obtain new scientific knowledge.

A. **Scientific or technological objectives** – What is the scientific or technological objective of your project? Does this project involve scientific research or experimental development?

B. **Technology or knowledge base or level** – If your project work is mostly experimental development, what were the technological limitations of the products or processes before you started your project? If your project work is mostly scientific research, what was the extent of existing scientific knowledge in this area?

C. **Scientific or technological advancement** – What advancement in technology is being sought? What were the problems or challenges that could not be solved using commonly available techniques requiring you to seek an advance in the underlying technology to achieve the objective in A above? or what was the new scientific knowledge sought in your work? To what field of science or technology would the advance contribute?

D. **Description of work in the tax year** – Describe the work, including experiments and analyses, that you did in this tax year to achieve the technological or scientific objectives above. If all or part of the work that you are claiming was performed by contractors, include a description of the work performed on your behalf by the contractors or a copy of the statement of work from the contract.

E. **Supporting information** – What technical records or documents generated over the course of the work, such as records of trials, test results, progress and final reports, minutes of meetings, employee activity records, prototypes, and new products, are available to support your claim?

Step 2 – Project summary information

Total number of projects you are claiming in this tax year. **200** 1

If you received an amount under the Industrial Research Assistance Program (IRAP) for SR&ED type work, please indicate the amount you received. . . . . **206** ______

Complete Schedule E to provide a list of all SR&ED projects for which you are claiming expenditures this year.

Part 3 – Summary of SR&ED Expenditures (nearest dollar)

Step 1 – Allowable SR&ED expenditures for SR&ED carried out in Canada

SR&ED portion of salary or wages of employees directly engaged in SR&ED:			
• employees other than specified employees	300	+	27,185
• specified employees (do not include bonuses or remuneration based on profits) (see guide)	305	+	
Amounts deemed incurred in the year under subsection 78(4) (salary or wages)	310	+	
Unpaid amounts deemed not incurred in the year under subsection 78(4) 315			
Cost of materials consumed in the prosecution of SR&ED	320	+	
Cost of materials transformed in the prosecution of SR&ED	325	+	
SR&ED contracts performed on your behalf (complete Schedule F):			
• arm's length contracts	340	+	96,942
• non-arm's length contracts	345	+	
Lease costs of equipment used:			
• all or substantially all (90% of the time or more) for SR&ED	350	+	
• primarily (more than 50% but less than 90% of the time) for SR&ED. Enter only 50% of the lease costs if you use the proxy method. If you use the traditional method, enter "0".	355	+	
Overhead or other expenditures (enter "0" if you use the proxy method)	360	+	
Subtotal (add lines 300 to 360; do not add line 315)	365	=	124,127
Third-party payments (complete Schedule A)	370	+	
Total current SR&ED expenditures (add lines 365 and 370)	380	=	124,127
Capital expenditures (for ASA equipment, see guide)	390	+	234,805
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=	358,932

Step 2 – Pool of deductible SR&ED expenditures

Amount from line 400			358,932
less			
• government and non-government assistance for expenditures included on line 400	430	–	
• SR&ED ITC claimed last year (other than ITC on shared-use equipment)	435	–	
• sale of SR&ED capital assets (see guide) and other deductions	440	–	
add			
• previous year's ending balance in the pool of deductible SR&ED expenditures	450	+	
• amount of ITC recaptured in the preceding tax year	453	+	
• adjustments to the pool of deductible expenditures (complete Schedule B, Section 1)	454	+	
Amount available for deduction (If the amount is negative, enter "0" and add to income in the year)	455	=	358,932
Deduction claimed in the year	460	–	358,932
Current year's balance of deductible SR&ED expenditures applicable to future years (line 455 minus line 460)	470	=	

Step 3 – Qualified SR&ED expenditures for ITC purposes
Enter the breakdown between current and capital expenditures for ITC purposes.

	Line	Current Expenditures	Line	Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	492	124,127	496	234,805
add				
• unpaid amounts (other than salaries or wages) from previous years that were paid in the year under subsection 127(26)	500 +			
• prescribed proxy amount (complete Schedule D); enter "0" if you use the traditional method	502 +	16,737		
• expenditures on shared-use-equipment (See Note 1)			504 +	
• qualified expenditures transferred to you (from Form T1146)	508 +		510 +	
less				
• government and non-government assistance, and contract payments	534 –		536 –	
• amounts from lines 552 and 554 of Schedule B, Section 2	552 –		554 –	
• amounts from lines 555 and 556 of Schedule C	555 –		556 –	
Subtotal	557 =	140,864	558 =	234,805
SR&ED qualified expenditure pool (add lines 557 and 558)			559 =	375,669
add				
• Repayments of assistance and contract payments made in the year			560 +	
Total SR&ED expenditures that qualify for ITC purposes (add lines 559 and 560)*			570 =	375,669

*To claim an ITC on this amount, you must complete Schedule T2SCH31 – *Investment Tax Credit – Corporation*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, whichever applies.

Note 1
The expenditure is deemed to be 1/4 of the capital cost of the equipment. Certain adjustments may be required if the equipment was purchased from a non-arm's length supplier (see the explanations for lines 522 and 524 in the guide).

Part 4 – Background Information

This information is used to administer the SR&ED program.

Expenditures for SR&ED performed by you (line 400 minus lines 340, 345, and 370) 605 261,990

A. Sources of funds for SR&ED
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization

	Line	Canadian (%)	Line	Foreign (%)
Internal	600	100.000		
Parent companies, subsidiaries, and affiliated companies	602		604	
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	606			
Federal contracts	608			
Provincial funding	610			
SR&ED contract work performed for other companies on their behalf	612		614	
Other funding (e.g., universities, foreign governments)	616		618	

B. Business personnel
Total number of employees 630 196

SR&ED personnel (full-time SR&ED staff, plus full-time equivalent for staff engaged part-time in this activity):

Scientists and engineers	632	1	Technologists and tehnicians	634	1
Managers and administrators	636		Other technical supporting staff	638	

C. Nature of SR&ED work
From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:

Basic research (no specific application in view) 650 ____ Applied research (specific practical application in view) 652 ____

Development of new:	product	654	100.000	process	656		technical services	658
Improvement to existing:	product	660		process	662		technical services	664

D. Specialized field of research
Indicate, if applicable, the percentage of the amount on line 605 attributed to the following fields of research:

Software development 670 ____ Biotechnology 672 ____ Environmental protection 674 ____

Complete Claim Checklist

To speed up the processing of your claim, make sure you have:

1. Used the current version of Form T661 if you are filing a current-year claim [X]
2. Signed the "Certification and Election" section in Part 1 of Form T661 [X]
3. Indicated the method you have chosen for reporting your SR&ED expenditures in fields 160 or 162 of Part 1 [X]
4. Provided a summary of information for each project, with a breakdown of expenditures (labour, materials and contracts) as per Schedule E [X]
5. Submitted a detailed project description of your 20 largest projects in terms of their dollar value [X]
6. Retained documents prepared to support the SR&ED expenditures claimed in Part 3. If you forget to claim an expenditure, you have up to 12 months after the filing-due date of your tax return for the year to submit an amended Form T661 [X]
7. Completed Part 4 - Background Information [X]
8. Completed schedule A, B, C, D, E and F, if they apply to your situation, and attached to form T661 [X]
9. Filed a completed Schedule T2SCH31, *Investment Tax Credit – Corporations*, or Form T2038 (IND), *Investment Tax Credit (Individuals)*, to claim ITCs on your qualified SR&ED expenditures [X]

All the information requested in this form including the attachments, schedules and any other document to support your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2SCH31 or Form T2038(IND), within 12 months of the filing-due date of your income tax return for the year you incurred the expenditures. If you do not meet this reporting deadline, your claim may be rejected.

Schedule A – Third-Party Payments for SR&ED

You must complete a Schedule A for each third-party payment for SR&ED (attach to Form T661)

Schedule B – Special Situations (attach to Form T661).

Section 1 – Adjustments to the pool of deductible SR&ED expenditures incurred in Canada

• Repayments of government and non-government assistance (include only the repayments of assistance that previously reduced the deductible SR&ED expenditure pool)	445	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
Total (add lines 445 and 452)	454	=	

Report on line 454 in Part 3, Step 2 of Form T661

Section 2 – Adjustments to the qualified SR&ED expenditures for ITC purposes

			Current Expenditures			Capital Expenditures
• Unpaid amounts (other than salary or wages on line 315) deemed not to be incurred in the year under subsection 127(26)	520	–				
• Current expenditures for SR&ED contract paid or payable to, or for the benefit of a person or partnership that is not a taxable supplier in respect of the expenditures	528	–				
• Prescribed expenditures (Section 2902 of the *Regulations*)	530	–		532	–	
• Other deductions (see guide)	548	–		550	–	
Total (add lines 520, 528, 530, and 548, also add lines 532 and 550)	552	=		554	=	

Report on lines 552 and 554 respectively in Part 3, Step 3 of Form T661

Schedule C – Non-Arm's Length Transactions (attach to Form T661).

Adjustments to the qualified SR&ED expenditures for ITC purposes			Current Expenditures			Capital Expenditures
• Purchases of goods and services from non-arm's length suppliers (except for shared-use-equipment) (see note 1)	522	–		524	–	
• Expenditures for non-arm's length SR&ED contracts (from line 345)	526	–				
• Assistance allocated to you (from Form T1145)	538	–		540	–	
• Qualified expenditures you transferred (from Form T1146)	544	–		546	–	
Total (add lines 522, 526, 538, and 544, also add lines 524, 540, 546)	555	=		556	=	

Report on line 555 and 556 respectively in Part 3, Step 3 of Form T661

Note 1

Subsections 127(11.6) to (11.8) provide rules for determining a taxpayer's expenditures to services rendered by, or property acquired from, a non-arm's length supplier. On line 522, enter the difference, if any, between the amount included in your SR&ED expenditure pool for the purchases of goods and services from non-arm's length suppliers and the expenditure's deemed amount under subsection 127(11.6) (read the Guide).

T661 Schedule D – Calculation of Salary Base and Prescribed Proxy Amount

If you are using the proxy method, complete this calculation table and attach it to Form T661.

This table will help you to calculate the prescribed proxy amount (PPA) to enter on line 502 of Form T661. You can only claim a PPA if you elected in Part 1 of Form T661 (line 160) to use the proxy method for the year.

The PPA is 65% of the salary base determined in Section A. The salary base is the total of salary or wages paid to and incurred for the employees directly engaged in SR&ED in Canada during the year.

Special rules apply for specified employees. Calculate your salary base in Section A, the PPA in Section B, and the salary or wages of specified employees eligible to be included in the salary base in Section C.

Section A – Salary base

Salary or wages of employees directly engaged in SR&ED, other than specified employees (from line 300)	810 +	27,185
Less: Remuneration based on profits, bonuses, and taxable benefits under sections 6 and 7 of the Act, included on line 810 above	812 –	1,436
Subtotal (line 810 minus line 812)	814 =	25,749
Plus: Total salary or wages of specified employees directly engaged in SR&ED (per Section C, total of column 6 below)	816 +	
Salary base (total of lines 814 and 816)	818 =	25,749

Section B – Prescribed Proxy Amount

Calculate 65 % of the salary base per line 818	820 =	16,737

Report the PPA on line 502 of Part 3, Step 3 of Form T661.

In certain situations, an overall cap on the PPA may limit the amount otherwise determined (see Table 7 in the guide).

Section C – Determining the salary or wages of specified employees

Special rules apply to restrict the amount of salary or wages of specified employees that you can include in the salary base. Use the chart below to calculate this amount.

850	852	854	856		858	860
Column 1	**Column 2**	**Column 3**	**Column 4**	**Column 4a**	**Column 5****	**Column 6**
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED)*	Percentage of time spent on SR&ED in Canada (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	Number of days in taxation year employed (maximum 365 days)	2.5 x A x B ÷365	Amount in column 4 or 5, whichever amount is less
Total (enter total of column 6 amounts on line 816 in Section A above).						

* Do not include bonuses, remuneration based on profits, or taxable benefits under sections 6 and 7 of the *Act*.

** A is the year's maximum pensionable earnings (section 18 of the *Canada Pension Plan*) for the calendar year in which your tax year ends. The year's maximum pensionable earnings for 2008 are $44, 900 (total $44, 900 x 2.5 = $112, 250), for 2007 are $43,700 (total $43,700 x 2.5 = $109,250), for 2006 they are $42,100 (total $42,100 x 2.5 = $105,250), and for 2005 they are $41,100 (total $41,100 x 2.5 = $102,750).

B is the number of days in the taxation year that you employ the individual.

Project Name:	Renewable Energy Investigations
Project No.:	HOB-2007-01
Start Date:	2007-01-01
End Date (Anticipated):	2012-12-31
Area of Science or technology:	This project involves experimental development, in the following field(s) of science or technology: - Power Engineering - Alternative Energy
Project Leader(s):	Ralph Williams

Project Background:

Electricity purchased and distributed by Hydro One Brampton originates from hydro, nuclear or fossil fuel generators and is supplied from Ontario's transmission network, an extremely stable source of supply. We want to enable local generators of renewable energy sources, such as solar and wind power, the ability to supply electricity directly into Hydro One Brampton's distribution network. This is called Distributed Generation Connection and is characterized by less stable sources of electrical supply and, in some instances, bi-directional energy flow. However, for Hydro One Brampton, this introduces technical issues such power quality, protection and control.

In August 2006, we started in-house investigations to understand the impact of connection of less stable, renewable energy sources on the Brampton distribution grid by undertaking several pilot projects with prototype installations. After researching different alternatives, we decided to investigate power generated by a 3-phase, 20kW floating photovoltaic (PV) array for commercial users, and a 1.5kW single phase PV array for residential customers. By the end of the year, we had finalized our design and implementation criteria to write a Request for Proposal (RFP).

A. Scientific or Technological Objectives:

The technological objective of this project is to design, implement and investigate solar and wind generation connections to the Brampton electric power distribution system. Specifically, we want to investigate power generated from a rated 1.5kW and 20kW photovoltaic configuration, and a rated 1.5kW wind microturbine (Motorwind) configuration. Data will be collected from these three prototypes for at least one year so that we can characterize the nature of the electricity supply and then begin to consider connection options.

B. Technology or Knowledge Base or Level:

Hydro One Brampton's core technology is in the area of distributing electricity to residential and commercial consumers. As such, we have limited knowledge in power generation, particularly in unstable renewable energy sources such as solar and wind power. We do know from discussions with other utilities that "distribution generation connection" is being investigated elsewhere because of the potential adverse impact on distribution grid stability and the process & control (P&C) devices. Solutions appear to be grid dependant and therefore we need to develop our own knowledge of locally generated renewable energy profiles.

This document contains commercially sensitive, valuable and proprietary information and is only to be used by Canada Revenue Agency (CRA) for the sole purpose of assessing eligibility for SR&ED tax credits and shall be treated as "Protected" information. Any review, transmission, dissemination or other use by persons other than CRA employees or CRA's authorized SR&ED consultants is strictly prohibited.

C. Scientific or Technological Advancement:

This project will result in an increased understanding of the characteristics of renewable energy power supply base and will result in the development of secure, reliable methods to connect these supplies to the Hydro One Brampton distribution grid.

D. Description of Work in the Tax Year:

Solar Energy Project

The RFP for two photovoltaic prototype projects went out in April 2007. We had decided to investigate a 3-phase, 20kW floating photovoltaic (PV) array for commercial users and a 1.5kW single phase PV array for residential applications. By May 2007, we had reviewed and accepted the proposal from Enviro-Energy Technologies Inc. (EET) to design and install the two prototypes systems.

EET started work in June 2007. The pilot installation was comprised of 105 solar modules, each rated at 195W. These were selected for their reported performance characteristics under the temperature extremes that the system would experience throughout the year. Three independent arrays of 6.825kWp were designed each containing 35 solar modules. Inverters were specified to convert the DC, single-phase, solar power to three-phase AC power compatible with the power grid. The total power of this system was rated at 20.475kWp.

To meet the requirements of our 1.5kW PV project, EET selected 8 solar modules rated at 195W each. One array containing all 8 modules was designed requiring one inverter to convert the DC power into 120VAC for the grid.

A data monitoring system tracked the daily power produced by each of these solar prototypes.

Both PV prototypes were installed by December 2007.

Wind Energy Project

In July 2007, we chose a 1.5 kW microturbine design from Motorwind Canada for our wind energy investigations. We utilized the services of EET to design, analyse connection requirements, define components for installation, and prepare drawings of the system design for the prototype installation. The final wind microturbine prototype design consisted of 5 rows of 20 microturbines each. Inverters were used to convert the power from DC to 3-phase AC with a power output of 1.5kW.

The microturbine prototype was designed and installed by December 2007.

Initially, we experienced problems monitoring the power generated by this prototype. Through our investigations, we determined that the inverters, which were the same as those used for the solar panel application, would sometimes drain the batteries. The problem was related to the configuration of the microturbine array where each turbine could have different output characteristics.

Through this investigation, we decided to change inverters and implemented a Windy Boy inverter which was better suited for this application.

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Status at Project or Period End

By the end of 2007, both 20kW and 1.5kW PV solar energy prototypes were installed and generating power. Data was being gathered to observe the efficiency loss between the design value and data gathered by our monitoring system. We will monitor the PV arrays for one year and then look at design options if the data is not meeting our requirements.

The wind energy prototype had also been installed; however, it did not generate reasonable data. After investigating performance issues, we changed the design to a different inverter technology and expect to recommence data collection in 2008.

E. Supporting Information:

E.1 Key Personnel

Name	Qualifications / Role / Work Performed
Ralph Williams	• Project manager • Certified Engineering Technologist, 23 years of experience at Hydro One • Involved with contractor, provided advice and guidance, involved in installation and set-up of solar panel and wind microturbine arrays, analysed results
Scott Miller	• Certified Engineering Technologist, 23 years of experience • Review of design and evaluation of proposals
Syed Abbas	• Energy services technician • Electrical technician • Investigated electrical feeds, communication systems for data collection

E.2 Contractors and Roles:

Name	Work Performed
Enviro-Energy Technologies Inc.	Designed and installed photovoltaic prototypes. Design and analysis for wind microturbine prototype.

E.3 Supporting Documentation

Document No.	Rev/Date	Title
1	May 3, 2007	Proposal for Supply of Two Solar Photovoltaic Demonstration Project
2	2007	Emails discussing technical details of project.

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T661 Schedule E – List of all SR&ED projects claimed in the year (attach to Form T661)

For each project you are claiming, provide the following information using the table below. Expenditures should be recorded and allocated on a project basis.

210 Project identification: code or name	212 Start date (yyyy/mm/dd)	214 Finish date (yyyy/mm/dd) Actual or expected	216 Total labour expenditures in tax year	218 Total expenditures of materials in tax year	220 Total contract expenditures in tax year
1. HOB-2007-01	2006-08-01	2012-12-31	27,185		96,942
		Total	27,185		96,942

Use copies of this schedule if you have more than 50 projects and attach them to Form T661.

T661 Schedule F – Arm's Length and Non-Arm's Length SR&ED Contracts (attach to Form T661)

Complete this schedule only if the total dollar amount per contractor for the year is greater than $30,000. If necessary, use copies of this schedule and attach them to Form T661.

Section A – Number of contractors for whom you have to report and provide details in Sections B and C

Arm's length contractors (complete section B below)	1	900
Non-arm's length contractors (complete section C below)		920

Section B – Complete this section for each arm's length contractor

902 Name of contractor	904 Contractor's Business No. or GST Registration No.	906 Number of contracts per contractor	908 Total dollar amount per contractor greater than $30,000	910 Project code for expenditures claimed in the year (if available)	912 Total contract expenditures in tax year
Enviro-Energy Technologies Inc.	846393874	1	96,942	HOB-2007-01	96,942
The total of column 912 is included in the total of line 340 in Part 3, Step 1 of Form T661.				Total	96,942

Section C – Complete this section for each non-arm's length contractor

922 Name of contractor	924 Contractor's Business No. or GST Registration No.	926 Number of contracts per contractor	928 Total dollar amount per contractor greater than $30,000	930 Project code for expenditures claimed in the year (if available)	932 Total contract expenditures in tax year
The total of column 932 is included in the total of line 345 in Part 3, Step 1 of Form T661.				Total	

Canada Revenue Agency / Agence du revenu du Canada

T2 CORPORATION INCOME TAX RETURN

200

055 Do not use this area

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 federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

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 see **www.cra.gc.ca** or the *T2 Corporation – Income Tax Guide* (T4012).

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 you filed your T2 return? **003** 1 Yes [ ] 2 No [X]

If yes, do you have a copy of the articles of amendment? *(Do not submit)* ..... **004** 1 Yes [ ] 2 No [ ]

Address of head office

Has this address changed since the last time you filed your T2 return? .... **010** 1 Yes [ ] 2 No [X]

(If yes, complete lines 011 to 018)

011 175 Sandalwood Parkway West

012

City **015** Brampton

Province, territory, or state **016** ON

Country (other than Canada) **017**

Postal code/Zip code **018** L7A 1E8

Mailing address (if different from head office address)

Has this address changed since the last time you filed your T2 return? .... **020** 1 Yes [ ] 2 No [X]

(If yes, complete lines 021 to 028)

021 c/o

022

023

City **025**

Province, territory, or state **026**

Country (other than Canada) **027**

Postal code/Zip code **028**

Location of books and records

Has the location of books and records changed since the last time you filed your T2 return? .... **030** 1 Yes [ ] 2 No [X]

(If yes, complete lines 031 to 038)

031 175 Sandalwood Parkway West

032

City **035** Brampton

Province,territory, or state **036** ON

Country (other than Canada) **037**

Postal code/Zip code **038** L7A 1E8

040 **Type of corporation at the end of the tax year**

1 [X] Canadian-controlled private corporation (CCPC)

2 [ ] Other private corporation

3 [ ] Public corporation

4 [ ] Corporation controlled by a public corporation

5 [ ] Other corporation (specify, below)

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 **060** 2007-01-01 (YYYY MM DD)

Tax year-end **061** 2007-12-31 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? .... **063** 1 Yes [ ] 2 No [X]

If yes, provide the date control was acquired .... **065** ________ YYYY MM DD

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? .... **066** 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? .... **067** 1 Yes [ ] 2 No [X]

Is this the first year of filing after:

Incorporation? .... **070** 1 Yes [ ] 2 No [X]

Amalgamation? .... **071** 1 Yes [ ] 2 No [X]

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

Has there been a wind-up of a subsidiary under section 88 during the current tax year? .... **072** 1 Yes [ ] 2 No [X]

If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? .... **076** 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? .... **078** 1 Yes [ ] 2 No [X]

Is the corporation a resident of Canada?

080 1 Yes [X] 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 [X]

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?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165	X	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166		T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168		22
Did the corporation have any foreign affiliates during the year?	169		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*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204	X	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205		5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206	X	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming reserves of any kind?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Was the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232	X	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	236		36
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177

Attachments – continued from page 2

		Yes	Schedule
Is the corporation subject to Part XIII.1 tax?	255		92 *
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134-A
Did the corporation have any controlled foreign affiliates?	258		T1134-B
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268		53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

* We do not print this schedule.

Additional information

Is the corporation inactive?	280	1 Yes	2 No X
Has the major business activity changed since the last return was filed? (enter **yes** for first-time filers)	281	1 Yes	2 No X

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

If the major business activity involves the resale of goods, show whether it is wholesale or retail **283** 1 Wholesale ☐ 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 tax year?	291	1 Yes	2 No X
Did the corporation emigrate from Canada during the tax year?	292	1 Yes	2 No X

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.	300		32,550,421	A
Deduct: Charitable donations from Schedule 2	311	350		
Gifts to Canada, a province, or a territory from Schedule 2	312	1,800		
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Gifts of medicine from Schedule 2	315			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320			
Part VI.1 tax deduction *	325			
Non-capital losses of previous tax years from Schedule 4	331			
Net capital losses of previous tax years from Schedule 4	332			
Restricted farm losses of previous tax years from Schedule 4	333			
Farm losses of previous tax years from Schedule 4	334			
Limited partnership losses of previous tax years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal		2,150 ▶	2,150	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")			32,548,271	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355			D
Taxable income (amount C plus amount D)	360		32,548,271	
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)			32,548,271	Z

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

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7 . . . **400** 32,550,421 A

Taxable income from line 360, **minus** 10/3 of the amount on line 632*, **minus** 3 times the amount on line 636**, and **minus** any amount that, because of federal law, is exempt form Part I tax . . . **405** 32,548,271 B

Calculation of the business limit:

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

300,000 x (Number of days in the tax year in 2005 and in 2006 ____ / Number of days in the tax year 365) = ... ____ 1

400,000 x (Number of days in the tax year after 2006 365 / Number of days in the tax year 365) = ... 400,000 2

Add amounts at lines 1 and 2 400,000 4

Business limit (see notes 1 and 2 below) . . . **410** ____ C

Notes: 1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.

2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C ____ x (**415** *** 298,532 D / 11,250) = . . . ____ E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") . . . **425** ____ F

Small business deduction

Amount A, B, C, or F whichever is the least ____ x (Number of days in the tax year before January 1, 2008 365 / Number of days in the tax year 365) x 16 % = ____ 5

Amount A, B, C, or F whichever is the least ____ x (Number of days in the tax year after December 31, 2007 and before January 1, 2009 ____ / Number of days in the tax year 365) x 17 % = ____ 6

Amount A, B, C, or F whichever is the least ____ x (Number of days in the tax year after December 31, 2008 ____ / Number of days in the tax year 365) x 17 % = ____ 7

Total of amounts 5, 6, and 7 – enter on line 9 **430** ____ G

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

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

*** **Large corporations**

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)] . . . **435** ____ H

Amount H ____ x (Number of days in the tax year in 2005 ____ / Number of days in the tax year 365) x 3 % = ____ I

Amount H ____ x (Number of days in the tax year in 2006 ____ / Number of days in the tax year 365) x 5 % = ____ J

Amount H ____ x (Number of days in the tax year in 2007 365 / Number of days in the tax year 365) x 7 % = ____ K

Resource deduction – total of amounts I, J and K . . . **438** ____ L
Enter amount L on line 10.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360		32,548,271	A
Amount Z1 from Part 9 of Schedule 27	B		
Amount QQ from Part 13 of Schedule 27	C		
Taxable resource income from line 435	D		
Amount used to calculate the credit union deduction (from Schedule 17)	E		
Amount from line 400, 405, 410, or 425, whichever is the least	F		
Aggregate investment income from line 440	G		
Total of amounts B, C, D, E, F, and G	▶		H
Amount A **minus** amount H (if negative, enter "0")		32,548,271	I

Amount I	32,548,271	x	Number of days in the tax year before January 1, 2008 / Number of days in the tax year	365 / 365	x	7 %	= 2,278,379	J
Amount I	32,548,271	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009 / Number of days in the tax year	/ 365	x	8.5 %	=	K
Amount I	32,548,271	x	Number of days in the tax year after December 31, 2008 and before January 1, 2010 / Number of days in the tax year	/ 365	x	9 %	=	K1
Amount I	32,548,271	x	Number of days in the tax year after December 31, 2009 and before January 1, 2011 / Number of days in the tax year	/ 365	x	10 %	=	K2

General tax reduction for Canadian-controlled private corporations – total of amounts J, K, K1, and K2 .... 2,278,379 L
Enter amount L on line 638.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)			M
Amount Z1 from Part 9 of Schedule 27	N		
Amount QQ from Part 13 of Schedule 27	O		
Taxable resource income from line 435	P		
Amount used to calculate the credit union deduction (from 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 tax year before January 1, 2008 / Number of days in the tax year	365 / 365	x	7 %	=	T
Amount S		x	Number of days in the tax year after December 31, 2007 and before January 1, 2009 / Number of days in the tax year	/ 365	x	8.5 %	=	U
Amount S		x	Number of days in the tax year after December 31, 2008 and before January 1, 2010 / Number of days in the tax year	/ 365	x	9 %	=	U1
Amount S		x	Number of days in the tax year after December 31, 2009 and before January 1, 2011 / Number of days in the tax year	/ 365	x	10 %	=	U2

General tax reduction – total of amounts T, U, U1, and U2 V
Enter amount V on line 639.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income (from Schedule 7)	440		x 26 2 / 3 % =		A
Foreign non-business income tax credit from line 632					
Deduct: Foreign investment income (from Schedule 7)	445		x 9 1 / 3 % = (if negative, enter "0")		B
Amount A **minus** amount B (if negative, enter "0")					C
Taxable income from line 360			32,548,271		
Deduct:					
Amount from line 400, 405, 410, or 425, whichever is the least					
Foreign non-business income tax credit from line 632		x 25 / 9 =			
Foreign business income tax credit from line 636		x 3 =			
			32,548,271		
			x 26 2 / 3 % =	8,679,539	D
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780)			7,120,544		
Deduct: Corporate surtax from line 600			364,541		
Net amount			6,756,003	6,756,003	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 previous tax year	460	12,974		
Deduct: Dividend refund for the previous tax year	465	12,974		
				G
Add the total of:				
Refundable portion of Part I tax from line 450 above				
Total Part IV tax payable from Schedule 3				
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	480			
				H
Refundable dividend tax on hand at the end of the tax year – Amount G **plus** amount H	485			

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 of Schedule 3	8,000,000	x 1 / 3	2,666,667	I
Refundable dividend tax on hand at the end of the tax year from line 485 above				J
Dividend refund – Amount I or J, whichever is less (enter this amount on line 784)				

Part I tax

Base amount of Part I tax – taxable income (line 360 or amount Z, whichever applies) multiplied by 38.00 %			550	12,368,343 A
Corporate surtax calculation				
Base amount from line A above	12,368,343	1		
Deduct:				
10 % of taxable income (line 360 or amount Z, whichever applies)	3,254,827	2		
Investment corporation deduction from line 620 below		3		
Federal logging tax credit from line 640 below		4		
Federal qualifying environmental trust tax credit from line 648 below		5		
For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least: 28.00 % of taxable income from line 360 ____ a; 28.00 % of taxed capital gains ____ b; Part I tax otherwise payable (line A **plus** lines C and D **minus** line F) ____ c		6		
Total of lines 2 to 6	3,254,827	7		
Net amount (line 1 **minus** line 7)	9,113,516	8		

Corporate surtax*

Line 8 9,113,516 x $\frac{\text{Number of days in the tax year before January 1, 2008}}{\text{Number of days in the tax year}}$ $\frac{365}{365}$ x 4 % = **600** 364,541 B

* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 **602** ______ C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440			i
Taxable income from line 360	32,548,271		
Deduct:			
Amount from line 400, 405, 410, or 425, whichever is the least			
Net amount	32,548,271 ▶	32,548,271	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) 12,732,884 E

Deduct:				
Small business deduction from line 430			9	
Federal tax abatement	608	3,254,827		
Manufacturing and processing profits deduction from Schedule 27	616			
Investment corporation deduction (taxed capital gains **624** ______)	620			
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			
Resource deduction from line 438			10	
General tax reduction for CCPCs from amount L	638	2,278,379		
General tax reduction from amount V	639			
Federal logging tax credit from Schedule 21	640			
Federal political contribution tax credit (Federal political contributions **646** ______)	644			
Federal qualifying environmental trust tax credit	648			
Investment tax credit from Schedule 31	652	79,134		
Subtotal		5,612,340 ▶		5,612,340 F

Part I tax payable – Line E **minus** line F 7,120,544 G
Enter amount G on line 700.

Summary of tax and credits

Federal tax

Part I tax payable	700	7,120,544
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
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		7,120,544

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		7,120,544 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780		
Dividend refund	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			
Provincial and territorial capital gains refund from Schedule 18	808		
Provincial and territorial refundable tax credits from Schedule 5	812		
Tax instalments paid	840	7,120,544	
Total credits	890	7,120,544	7,120,544 B

Refund code 894 2 Overpayment

Balance (line A minus line B)

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

Direct deposit request

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

☐ Start ☐ Change information

910 Branch number

914 Institution number

918 Account number

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

Certification

I, 950 PAUL (Last name in block letters) 951 TONY (First name in block letters) 954 CONTROLLER (Position, office, or rank)

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 June 6/08 (Date (yyyy/mm/dd)) — Signature of the authorized signing officer of the corporation — 956 (905) 452-5505 (Telephone number)

Is the contact person the same as the authorized signing officer? If **no**, complete the information below . . . 957 1 Yes ☒ 2 No ☐

958 Name in block letters — 959 Telephone number

Language of correspondence – Langue de correspondance

990 Indicate your language of correspondence by entering 1 for English or 2 for French.
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

1 English / Anglais ☒ 2 Français / French ☐

Schedule of Instalment Remittances

Name of corporation contact: Tony Paul
Telephone number: (905) 840-6300

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit	
	Instalment	9,458,461	
	Feb 2008 instalment	3,300,000	
	trsf to Ont	-5,637,917	
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instalment		
	Instal transfer		
	Total amount of instalments claimed (carry the result to line 840 of the T2 Return)	7,120,544	A
	Total instalments credited to the taxation year per T9	7,120,544	B

Transfer

	Account number	Taxation year end	Amount	Effective interest date	Description
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 141

NOTES CHECKLIST

Corporation's name	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

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

Part 1 – Accounting practitioner information

Does the accounting practitioner have a professional designation? . . . . . **095** 1 Yes [X] 2 No [ ]

Is the accounting practitioner connected* with the corporation? . . . . . **097** 1 Yes [ ] 2 No [X]

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

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

Part 2 – Type of involvement

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

Completed an auditor's report . . . . . 1 [X]

Completed a review engagement report . . . . . 2 [ ]

Conducted a compilation engagement . . . . . 3 [ ]

Part 3 – Reservations

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

Has the accounting practitioner expressed a reservation? . . . . . **099** 1 Yes [ ] 2 No [X]

Part 4 – Other information

Were notes to the financial statements prepared? . . . . . **101** 1 Yes [X] 2 No [ ]

If *Yes*, complete lines 102 to 107 below:

Are any values presented at other than cost? . . . . . **102** 1 Yes [ ] 2 No [X]

Has there been a change in accounting policies since the last return? . . . . . **103** 1 Yes [ ] 2 No [X]

Are subsequent events mentioned in the notes? . . . . . **104** 1 Yes [X] 2 No [ ]

Is re-evaluation of asset information mentioned in the notes? . . . . . **105** 1 Yes [ ] 2 No [X]

Is contingent liability information mentioned in the notes? . . . . . **106** 1 Yes [X] 2 No [ ]

Is information regarding commitments mentioned in the notes? . . . . . **107** 1 Yes [X] 2 No [ ]

Does the corporation have investments in joint venture(s) or partnership(s)? . . . . . **108** 1 Yes [ ] 2 No [X]

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, 2007

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, 2007 and December 31, 2006 and the Statements of Operations, Retained Earnings and Cash Flows for each of the years in the two-year period ended December 31, 2007. 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 nsed 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, 2007 and December 31, 2006 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ernst & Young LLP
Toronto, Canada

April 2, 2008

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF OPERATIONS

Year ended December 31 (Canadian dollars in thousands)	2007	2006
Revenues		
Distribution	336,557	325,785
Other *(Note 12)*	3,943	3,588
	340,500	329,373
Costs		
Purchased power *(Note 12)*	275,963	267,296
Operation, maintenance and administration *(Note 12)*	16,771	16,948
Depreciation and amortization *(Note 3)*	15,616	15,158
	308,350	299,402
Income before financing charges and provision for payments in lieu of corporate income taxes	32,150	29,971
Financing charges *(Notes 4 and 12)*	9,928	9,437
Income before provision for payments in lieu of corporate income taxes	22,222	20,534
Provision for payments in lieu of corporate income taxes *(Notes 5 and 12)*	11,800	8,826
Net income and comprehensive income	10,422	11,708

STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (Canadian dollars in thousands)	2007	2006
Retained earnings, January 1	31,119	31,411
Net income	10,422	11,708
Dividends *(Notes 11 and 12)*	(8,000)	(12,000)
Retained earnings, December 31	33,541	31,119

See accompanying notes to Financial Statements.

HYDRO ONE BRAMPTON NETWORKS INC.
BALANCE SHEETS

December 31 (Canadian dollars in thousands)	**2007**	**2006**
Assets		
Current assets:		
Accounts receivable (net of allowance for doubtful accounts - \$568 thousand; 2006 - \$725 thousand) *(Note 12)*	61,307	58,247
Regulatory assets *(Note 7)*	887	4,241
Materials and supplies	5,188	4,493
	67,382	66,981
Fixed assets *(Note 6)*:		
Fixed assets in service	432,504	404,623
Less: accumulated depreciation	199,060	183,765
	233,444	220,858
Construction in progress	2,647	682
	236,091	221,540
Other long-term assets:		
Goodwill *(Note 11)*	60,060	60,060
Regulatory assets *(Note 7)*	935	1,061
	60,995	61,121
Total assets	364,468	349,642

See accompanying notes to Financial Statements.

HYDRO ONE BRAMPTON NETWORKS INC.
BALANCE SHEETS (continued)

December 31 (Canadian dollars in thousands)	2007	2006
Liabilities		
Current liabilities:		
Bank indebtedness	2,746	6,310
Accounts payable and accrued charges *(Note 12)*	59,920	51,503
Accrued interest	844	844
Employee future benefits other than pension *(Note 10)*	105	101
	63,615	58,758
Long-term debt *(Notes 8, 9 and 12)*	142,366	142,357
Other long-term liabilities:		
Regulatory liabilities *(Note 7)*	8,147	702
Long term accounts payable and accrued liabilities	-	247
Employee future benefits other than pension *(Note 10)*	5,238	4,898
	13,385	5,847
Total liabilities	219,366	206,962
Contingencies and commitment *(Notes 14 and 15)*		
Shareholder's equity *(Note 11)*		
Contributed surplus	60,060	60,060
Common shares (authorized: unlimited; issued: 2,000)	51,501	51,501
Retained earnings	33,541	31,119
Total shareholder's equity	145,102	142,680
Total liabilities and shareholder's equity	364,468	349,642

See accompanying notes to Financial Statements.

On behalf of the Board of Directors:

L Formusa

Laura Formusa
Chair

Roger A. Albert

Roger Albert
Director

HYDRO ONE BRAMPTON NETWORKS INC.
STATEMENTS OF CASH FLOWS

Year ended December 31 (Canadian dollars in thousands)	**2007**	**2006**
Operating activities		
Net income	10,422	11,708
Adjustments for non-cash items:		
Depreciation and amortization (net of removal costs)	15,820	14,699
Change in regulatory assets and liabilities (exclnding stranded meters) *(Note 7)*	11,433	4,180
Amortization of deferred debt costs	9	26
	37,684	30,613
Changes in non-cash balances related to operations *(Note 13)*	4,759	(16,188)
Net cash from operating activities	42,443	14,425
Financing Activities		
Repayment of promissory note due to parent *(Note 12)*	-	(1,599)
Dividends paid	(8,000)	(12,000)
Net cash used in financing activities	(8,000)	(13,599)
Investing activities		
Capital expenditures	(30,882)	(21,563)
Proceeds from dispositions	3	202
Net cash used in investing activities	(30,879)	(21,361)
Net change in cash and cash equivalents	3,564	(20,535)
Cash and cash equivalents, January 1	(6,310)	14,225
Cash and cash equivalents, December 31 *(Note 13)*	(2,746)	(6,310)

See accompanying 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). Up to October 31, 2006, the Company was a wholly owned subsidiary of Hydro One Brampton Inc. Hydro One Brampton Inc. was legally dissolved on January 30, 2007. As a consequence, the Company is now a 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 based on a reduction in the approved rate of return, from a targeted 9.88% to 9.00%, effective May 1, 2006.

In 2006, the OEB commenced a process of establishing an Incentive Regulation Mechanism (IRM) for the rate years 2007 to 2010. The process includes a formulaic approach to establishing 2007 rates with a rate rebasing approach to be staggered across all Ontario distributors between 2008 and 2010. Hydro One Brampton applied for marginal distribution rate adjustments in February 2007 based on an OEB-approved formula that considers inflation, efficiency targets and significant events outside the control of management. In April 2007, the OEB approved the Company's submission on the basis of its cost of capital and second generation IRM policies and revised rates were implemented effective May 1, 2007. On November 1, 2007 the Company filed an application for 2008 rates on the basis of the OEB's cost of capital and second generation IRM policies.

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 7.

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 (unread) 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, 2007 amounted to $31,346 thousand (2006 - $27,092 thousand). Actual results could differ from estimates 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 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 OEB-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, conditional or otherwise. 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 disposing of assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

Construction in Progress

Overhead costs, including corporate functions and services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology. Financing costs are capitalized on fixed assets under construction based on the OEB's approved allowance for funds used during construction.

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% - 6.67%
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 expense also inclndes the costs incurred to remove fixed assets.

The estimated service lives of fixed assets are subject to periodic review. Any changes arising from such a review are implemented on a remaining service life basis consistent with their inclusion in rates.

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 snrplus. The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. 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, with any write-down of the carrying value of goodwill being charged to results of operations. The Company has determined that goodwill is not impaired.

Financial Instruments

Effective January 1, 2007, the Company adopted four new accounting standards comprising the Canadian Institute of Chartered Accountants' (CICA) Handbook Sections 1530, *Comprehensive Income*; 3855, *Financial Instruments – Recognition and Measurement*; 3861, *Financial Instruments – Disclosure and Presentation*; and 3865, *Hedges*. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below.

Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income (OCI). The Company did not have any transactions impacting OCI in the year and hence, the Company has no accumulated OCI.

Financial Assets and Liabilities

Under the new standards, all financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, other liabilities or available-for-sale. All financial instruments, including derivatives, are carried at fair value on the Balance Sheet except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in financing charges in the period which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in OCI until the instrument is derecognized or impaired. The Company has classified its financial instruments as follows:

Bank indebtedness	Other liabilities
Long-term debt	Other liabilities

All financial instrument transactions are recorded at trade date.

Derivatives and Hedge Accounting

All derivative instruments, including embedded derivatives, are carried at fair value on the Balance Sheet unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in financing charges unless cash flow hedge accounting is used, in which case changes in fair value are recorded in OCI to the extent that the hedge is effective.

The Company does not engage in derivative trading or speculative activities.

The Company may periodically develop hedging strategies for execution taking into account risk management objectives. At the inception of a hedging relationship, the Company would document the relationship between the hedging instrument and the hedged item. This would include linking all derivatives to specific assets and liabilities on the Balance Sheet or to specific firm commitments or forecasted transactions. The Company would also assess, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

Hedging losses are amortized through OCI using the effective interest method over the term of the hedged debt.

Transaction Costs

Transaction costs for financial assets and liabilities that are other than held-for-trading, are added to the carrying value of the asset or liability and then amortized over the expected life of the instrument using the effective interest method. The impact of the change in amortization method from an annuity basis to the effective interest method was not material.

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 (the Province).

3. DEPRECIATION AND AMORTIZATION

Year ended December 31 (Canadian dollars in thousands)	**2007**	**2006**
Depreciation of fixed assets in service	15,099	13,917
Amortization of regulatory assets	426	1,172
Fixed asset removal costs	64	43
Amortization of land rights	27	26
	15,616	15,158

4. FINANCING CHARGES

Year ended December 31 (Canadian dollars in thousands)	**2007**	**2006**
Interest on long-term debt	9,939	9,939
Amortization of deferred debt costs	9	26
Plus (less):		
Interest applied to (capitalized on) regulatory accounts	143	(293)
Interest income	(103)	(235)
Interest capitalized on construction in progress	(60)	-
	9,928	9,437

5. 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. Reconciliation between the statutory and effective tax rates is provided as follows:

Year ended December 31 (Canadian dollars in thousands)	2007	2006
Income before provision for PILs	22,222	20,534
Federal and Ontario statutory income tax rate	36.12%	36.12%
Provision for PILs at statutory rate	8,027	7,417
Increase (decrease) resulting from:		
Net temporary differences:		
Recovery of regulatory accounts	4,134	1,510
Employee future benefits other than pension expense in excess of cash payments	55	48
Depreciation and amortization less than capital cost allowance	(49)	(71)
Other	(319)	(87)
Net temporary differences	3,821	1,400
Net permanent differences:		
Government hiring credits	(56)	-
Other	8	9
Net permanent differences	(48)	9
Provision for PILs	11,800	8,826
Effective income tax rate	53.10%	42.98%

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, 2007, future income tax assets of $2,628 thousand (2006 – liabilities $493 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 $3,121 thousand (2006 – lower by $1,580 thousand), including the impact of a change in the substantively enacted rates.

6. FIXED ASSETS

December 31 (Canadian dollars in thousands)	Fixed Assets in Service	Accumulated Depreciation	Construction in Progress	Total
2007				
Land and land rights	9,529	194	-	9,335
Buildings	25,021	6,900	-	18,121
Distribution equipment	276,720	131,108	2,647	148,259
Transformers and meters	103,712	49,815	-	53,897
Trucks and equipment	11,205	6,890	-	4,315
Office and computer equipment	6,317	4,153	-	2,164
	432,504	199,060	2,647	236,091
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

7. 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):

December 31 (Canadian dollars in thousands)	**2007**	**2006**
Regulatory assets:		
Regulatory asset recovery accouut	887	5,071
Pension costs	-	200
Stranded meters	508	-
Other regulatory assets	427	31
Total regulatory assets	1,822	5,302
Less: current portion	887	4,241
Long-term regulatory assets	935	1,061
Regulatory liabilities:		
Retail settlement variance accounts	7,276	325
PILs variance	496	202
Smart meters	375	175
Total regulatory liabilities	8,147	702

In the absence of rate regulated accounting, interest would not have been accreted on these regulatory assets and liabilities, and financing charges would have been lower in 2007 by $143 thousand (2006 – higher by $293 thousand).

Regulatory assets

Regulatory asset recovery account

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 2006. In the absence of rate regulated accounting, amortization of regulatory assets in the amount of $426 thousand (2006 - $1,172 thousand) would not have been recorded and amortization expense would have been lower by the same amount.

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 $nil (2006 - $195 thousand).

Stranded meters

On January 16, 2007 the OEB approved the use of a deferral account to record the stranded costs of conventional or accumulation meters removed at the time of installation of smart meters. The net book value of conventional meters removed from service was reclassified from fixed assets to regulatory assets. The remaining value less any proceeds of disposition will be amortized over the same period as the remaining useful life, had they remained in service.

Regulatory liabilities

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.

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 $281 thousand (2006 - $202 thousand), and financing costs would have been higher by $14 thousand (2006 - $2 thousand).

Smart meters

On March 21, 2006, the OEB approved the establishment of regulatory deferral accounts for smart meter-related expenditures and a monthly customer charge of 28 cents per metered customer was reflected in the Company's revenue requirement. Consistent with the OEB's direction and pending further guidance, the Company recognized a regulatory asset consisting of the net balance of capital and operating expenditures for smart meters less recoveries received from customers. In April 2007, as part of its decision regarding the Company's 2007 distribution rate applications, the OEB increased the monthly customer charge effective May 1, 2007 to 67 cents per metered customer.

On August 8, 2007, the OEB issued a decision on its combined proceeding to determine recoverability of expenditures incurred by distributors. Expenditures associated with the minimum functionality for advanced metering infrastructure incurred by the Company were approved for recovery. As a result of this decision, smart meter expenditures are no longer deferred as regulatory assets. Such expenditures are now classified as capital or are charged to results of operations consistent with the Company's standard accounting practices.

The OEB decision also required that related revenues be based upon a calculated revenue requirement specific to smart meters. As a result, the carrying value of the smart meter regulatory asset account represents the difference between revenue recorded on this basis and actual recoveries received under existing rate adders. In the absence of rate regulated accounting, operation, maintenance and administration expense would have been lower by $25 thousand (2006 – higher by $25 thousand) and revenues would have been lower by $262 thousand (2006 – higher by $262 thousand).

8. DEBT

The long-term debt, net of deferred debt costs described below, of $142,366 thousand (2006 - $142,357 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, 2007 was $634 thousand (2006- $643 thousand).

9. 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:

December 31 (Canadian dollars in thousands)	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	143,000	176,576	143,000	183,412

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2007, 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, 2007, there were no significant balances of accounts receivable due from any single customer.

10. 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 2007, the Company contributed $1,016 thousand to the plan (2006 - $947 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 $445 thousand (2006 - $428 thousand) are attributed to labour. In 2007, $195 thousand (2006 - $252 thousand) was charged to operations and $250 thousand (2006 - $176 thousand) was capitalized as part of the cost of fixed assets.

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

December 31 (Canadian dollars in thousands)	2007	2006
Accrued benefit liability, beginning of year	4,999	4,682
Net periodic post-retirement benefit cost	445	428
Benefits paid	(101)	(111)
Accrued benefit liability, end of year	5,343	4,999

During 2007, the Company had an actuarial gain of $239 thousand as a result of updating year-end assumptions. The net accumulated unamortized actuarial gain at December 31, 2007 was $545 thousand (2006 - $306 thousand).

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

December 31 (Canadian dollars in thousands)	2007	2006
Current service cost	193	193
Interest cost	252	235
Actuarial gain on benefit obligation	(239)	(213)
Costs arising in the period	206	215
Differences between costs arising in the period and costs recognized in the period in respect of:		
Actuarial gain	239	213
Net periodic post-retirement benefit cost	445	428
Effect of 1% increase in health care cost trends on:		
Accrued benefit obligation, December 31	401	366
Service and interest costs	47	42
Effect of 1% decrease in health care cost trends on:		
Accrued benefit obligation, December 31	(347)	(317)
Service and interest costs	(41)	(38)

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

	2007	2006
Expected annual remaining service life of employees	14 years	14 years
Discount rate for the expense for the year ended December 31	5.25%	5.00%
Discount rate for accrued benefit obligation as at December 31	5.50%	5.25%
Rate of compensation scale escalation (without merit)	4.00%	4.00%
Rate of increase of long-term supplementary medical costs is 4.50% per annum.	4.50%	4.50%
Rate of increase of prescription drugs is 10.62% per annum in 2007 grading down to 4.50% per annum after seven years and remaining constant thereafter.	9.75%	10.62%
Rate of increase of dental costs is 4.50% per annum.	4.50%	4.50%

11. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. 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 2007 were $8,000 thousand (2006 - $12,000 thousand).

12. RELATED PARTY TRANSACTIONS

Hydro One and its subsidiaries other than the Company, the OEFC, Ontario Power Generation Inc. (OPG), the Independent Electricity System Operator (IESO), the Ontario Power Authority (OPA) and the Province 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 with these parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the parties. Transactions between these parties and the Company were as follows:

In 2007, the Company purchased power from the IESO-administered spot market in the amount of $272,000 thousand (2006 - $251,183 thousand).

During 2006, 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 $5,364 thousand (2006 - $2,225 thousand). The Company provided certain transmission and connection services to Hydro One Networks Inc. totaling $1,490 thousand (2006 - $1,905 thousand). The Company recorded other rental revenues from Hydro One Networks Inc. of $195 thousand (2006 - $256 thousand).

During 2007, the Company paid for certain telecommunication services in the amount of $76 thousand (2006 - $23 thousand) and leased a portion of its facilities and equipment to Hydro One Telecom Inc. in the amount of $217 thousand (2006 - $204 thousand).

Consistent with the OPA mandate, the OPA is responsible for some of our Conservation and Demand Management (CDM) programs. The funding includes program costs, incentives and management fees and bonuses. In 2007, the Company received $680 thousand (2006 – $nil) from the OPA in respect of the CDM programs and had a net accounts receivable of $1,064 thousand (2006 – $nil).

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 2007, the Company incurred $424 thousand (2006 - $507 thousand) in OEB fees.

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

December 31 (Canadian dollars in thousands)	2007	2006
Accounts receivable	1,449	459
Accounts payable and accrued charges	(26,166)	(22,399)

Included in accounts payable and accrued charges are amounts owing to the IESO in respect of power purchases of $22,776 thousand (2006 - $20,019 thousand).

A common dividend of $8,000 thousand was paid to Hydro One in the year (2006 - $12,000 thousand).

Net financing income earned under the inter-company demand facility with Hydro One includes interest of $322 thousand (2006 - $407 thousand).

During 2006, the Company repaid a promissory note to Hydro One in the amount of $1,599 thousand.

As at December 31, 2007, long-term debt of $143,000 thonsand was due to Hydro One (2006 - $143,000 thousand). Net financing charges for 2007 include interest expense on this debt in the amount of $9,939 thousand (2006 - $9,939 thousand).

13. STATEMENTS OF CASH FLOWS

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

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

Year ended December 31 (Canadian dollars in thousands)	2007	2006
Accounts receivable increase	(3,060)	(9,479)
Materials and supplies increase	(695)	(746)
Accounts payable and accrued charges decrease (increase)	8,417	(6,278)
Long term acconnts payable and accrued liabilities decrease	(247)	(2)
Employee future benefits other than pension increase	344	317
	4,759	(16,188)

14. 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.

This action has been brought under the *Class Proceedings Act, 1992*. The plaintiff class seeks $500,000 thousand in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the *Criminal Code*. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

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

In 2007, Enbridge filed an application to the OEB to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the said amounts from ratepayers over a five year period.

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

15. 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 any bank letters of credit plus the nominal amount of the parental guarantee. As at December 31, 2007, the Company provided prudential support, using only parental guarantees, reflecting a change from 2006. If Hydro One's highest long term credit rating deteriorated to below the "Aa" category, the Company would be required to resume providing letters of credit as prudential support. Prudential support at December 31, 2007 was provided using bank letters of credit of $nil (2006 - $2,000 thousand) and parental guarantees of $75,000 thousand (2006 - $75,000 thousand).

16. SUBSEQUENT EVENT

On March 19, 2008, the OEB approved the Company's revised distribution rates and charges effective May 1, 2008. These rates were substantially as requested in the Company's original filing.

17. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2007 financial statements.

Canada Revenue Agency / Agence du revenu du Canada

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- 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				10,422,068 A
Add:				
Provision for income taxes – current		101	11,800,090	
Amortization of tangible assets		104	15,189,808	
Income or loss for tax purposes – joint ventures or partnerships		109	3,800	
Charitable donations and gifts from Schedule 2		112	2,150	
Scientific research expenditures deducted per financial statements		118	27,185	
Non-deductible meals and entertainment expenses		121	16,022	
Reserves from financial statements – balance at the end of the year		126	11,668,560	
Subtotal of additions			38,707,615 ▶	38,707,615
Other additions:				
Miscellaneous other additions:				
601 Add back capital tax accrued		291	715,082	
602 Depreciation expensed via OM&A		292	304,872	
603.2 Ontario Specified Tax Credits	27,376			
Total	27,376	293	27,376	
604.1 Amortization of debt discount	9,717			
Total	9,717	294	9,717	
Subtotal of other additions		199	1,057,047 ▶	1,057,047
Total additions		500	39,764,662 ▶	39,764,662
Deduct:				
Capital cost allowance from Schedule 8		403	13,505,850	
Cumulative eligible capital deduction from Schedule 10		405	2,130,475	
Scientific research expenses claimed in year from Form T661		411	358,932	
Reserves from financial statements – balance at the beginning of the year		414	646,162	
Subtotal of deductions			16,641,419 ▶	16,641,419
Other deductions:				
Miscellaneous other deductions:				
700 Deduct OPEB costs capitalized included in Sch013		390	249,200	
701 Deduct actual capital tax per CT23		391	681,830	
704.1 Removal costs	63,860			
Total	63,860	394	63,860	
Subtotal of other deductions		499	994,890 ▶	994,890
Total deductions		510	17,636,309 ▶	17,636,309
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				32,550,421

* For reference purposes only

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SCHEDULE 2

CHARITABLE DONATIONS AND GIFTS

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition 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.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Heart and Stroke	150
Brampton Caledon Community Living Charitable	200
Subtotal	350
Add: Total donations of less than $100 each	
Total donations in current tax year	350

	Code	Federal		Quebec	Alberta
Charitable donations at the end of the previous tax year					
Deduct: Charitable donations expired after five tax years	239				
Charitable donations at the beginning of the tax year	240				
Add:					
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1) 210: 350					
Subtotal (line 250 **plus** line 210)		350		350	350
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available		350	A	350	350
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	260	350		350	350
Charitable donations closing balance	280				

Amounts carried forward – Charitable donations

Year of origin:		Federal	Quebec	Alberta
1st prior year	2006			
2nd prior year	2005			
3rd prior year	2004			
4th prior year	2003			
5th prior year	2002			
6th prior year *	2001			
Total (to line A)				

* These donations expired in the current year.

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

Net income for tax purposes* **multiplied** by 75 %		24,412,816	B
Taxable capital gains arising in respect of gifts of capital property included in Part 1 **	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)		24,412,816	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		350	K

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

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

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

Gifts to Canada, a province, or a territory at the end of the previous tax year			
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	339		
Gifts to Canada, a province, or a territory at the beginning of the tax year	340		▶
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current-year gifts made to Canada, a province, or a territory *	310	1,800	
Subtotal (line 350 **plus** line 310)			1,800
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			1,800
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return).	360		1,800
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 no written agreement exists, 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 previous tax year				
Deduct: Gifts of certified cultural property expired after five tax years	439			
Gifts of certified cultural property at the beginning of the tax 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
1st prior year	2006			
2nd prior year	2005			
3rd prior year	2004			
4th prior year	2003			
5th prior year	2002			
6th prior year *	2001			
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 previous tax year				
Deduct: Gifts of certified ecologically sensitive land expired after five tax years	539			
Gifts of certified ecologically sensitive land at the beginning of the tax 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
1st prior year	2006			
2nd prior year	2005			
3rd prior year	2004			
4th prior year	2003			
5th prior year	2002			
6th prior year *	2001			
Total				

* These donations expired in the current year.

Part 6 – Additional deduction for gifts of medicine

		Federal		Quebec		Alberta	
Additional deduction for gifts of medicine at the end of the previous tax year							
Deduct: Additional deduction for gifts of medicine expired after five tax years	639						
Additional deduction for gifts of medicine at the beginning of the tax year	640						
Add: Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650						
Additional deduction for gifts of medicine for the current year:							
Proceeds of disposition	602		1		1		1
Cost of gifts of medicine	601		2		2		2
Subtotal (line 1 **minus** line 2)			3		3		3
Line 3 **multiplied** by 50 %			4		4		4
Eligible amount of gifts	600		5		5		5

Federal

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year **610** ______

Quebec

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year ______

Alberta

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year ______

where:

A is the **lesser** of line 2 and line 4

B is the eligible amount of gifts (line 600)

C is the proceeds of disposition (line 602)

		Federal	Quebec	Alberta
Subtotal (line 650 **plus** line 610)				
Deduct: Adjustment for an acquisition of control	655			
Total additional deduction for gifts of medicine available				
Deduct: Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660			
Additional deduction for gifts of medicine closing balance	680			

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Quebec	Alberta
1st prior year	2006			
2nd prior year	2005			
3rd prior year	2004			
4th prior year	2003			
5th prior year	2002			
6th prior year *	2001			
Total				

* These donations expired in the current year.

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DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return.*
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide.*
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible to a 45% gross up for the purpose of the dividend tax credit for individuals.
- Under column F2, enter the code that applies to the deductible taxable dividend.

Part 1 – Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

			Complete if payer corporation is connected			
	Name of payer corporation (Use only one line per corporation, abreviating its name if necessary) 200	A	B 205	C Business Number 210	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD 220	E Non-taxable dividend under section 83 230
1						
					Total	

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

				If payer corporation is not connected, leave these columns blank.		
	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d) 240	F1	F2	G Total taxable dividends paid by connected payer corporation 250	H Dividend refund of the connected payer corporation 260	I Part IV tax before deductions F x 1 / 3 * 270
1						
Total (enter amount of column F on line 320 of the T2 return)						J

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

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

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1) . . . .

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax	**330**	
Non-capital losses from previous years claimed to reduce Part IV tax	**335**	
Current-year farm loss claimed to reduce Part IV tax	**340**	
Farm losses from previous years claimed to reduce Part IV tax	**345**	
Total losses applied against Part IV tax		× 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

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

	A	B	C	D
	Name of connected recipient corporation **400**	Business Number **410**	Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD **420**	Taxable dividends paid to connected corporations **430**
1	Hydro One Inc.	86999 4731 RC0001	2007-12-31	8,000,000
2				

Note

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

Total 8,000,000

Total taxable dividends paid in the taxation year to other than connected corporations **450**

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450) **460** 8,000,000

Part 4 – Total dividends paid in the taxation year

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

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above)	**460**	8,000,000
Other dividends paid in the taxation year (total of 510 to 540)		
Total dividends paid in the taxation year	**500**	8,000,000

Deduct:

Dividends paid out of capital dividend account	**510**	
Capital gains dividends	**520**	
Dividends paid on shares described in subsection 129(1.2)	**530**	
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	**540**	
Subtotal		►

Total taxable dividends paid in the taxation year for purposes of a dividend refund 8,000,000

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SCHEDULE 4

CORPORATION LOSS CONTINUITY AND APPLICATION

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- This form is used to determine the continuity and use of available losses; to determine the current-year non-capital loss, farm loss, restricted farm loss, and limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that may be applied in a year; and to request a loss carryback to previous years.
- The corporation can choose whether or not to deduct an available loss from income in a tax year. It can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- According to subsection 111(4) of the *Income Tax Act*, when control has been acquired, no amount of capital loss incurred for a tax year ending (TYE) before that time is deductible in computing taxable income in a TYE after that time **and** no amount of capital loss incurred in a TYE after that time is deductible in computing taxable income of a TYE before that time.
- When control has been acquired, subsection 111(5) provides for similar treatment of non-capital and farm losses, except as listed in paragraphs 111(5)(a) and (b).
- For information on these losses, see the *T2 Corporation – Income Tax Guide*.
- File one completed copy of this schedule with the T2 return, or send it by itself to the tax centre where the return is filed.
- Parts, sections, subsections, paragraphs, and subparagraphs mentioned in this schedule refer to the *Income Tax Act*.

Part 1 – Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes		32,550,421
Deduct: (increase a loss)		
Net capital losses deducted in the year (enter as a positive amount)		
Taxable dividends deductible under sections 112, 113, or subsection 138(6)		
Amount of Part VI.1 tax deductible		
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)		
Subtotal (if positive, enter "0")		
Deduct: (increase a loss)		
Section 110.5 and/or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions		
Subtotal		
Add: (decrease a loss)		
Current-year farm loss		
Current-year non-capital loss (if positive, enter "0")		

Continuity of non-capital losses and request for a carryback

	Line		
Non-capital loss at the end of the previous tax year			
Deduct: Non-capital loss expired *	100		
Non-capital losses at the beginning of the tax year	102		
Add: Non-capital losses transferred on the amalgamation or the wind-up of a subsidiary corporation	105		
Current-year non-capital loss (from calculation above)	110		
Deduct:			
Other adjustments (includes adjustments for an acquisition of control)	150		
Section 80 – Adjustments for forgiven amounts	140		
Subsection 111(10) – Adjustments for fuel tax rebate			
Deduct:			
Amount applied against taxable income (enter on line 331 of the T2 return)	130		
Amount applied against taxable dividends subject to Part IV tax	135		
Subtotal			
Deduct – Request to carry back non-capital loss to:			
First previous tax year to reduce taxable income	901		
Second previous tax year to reduce taxable income	902		
Third previous tax year to reduce taxable income	903		
First previous tax year to reduce taxable dividends subject to Part IV tax	911		
Second previous tax year to reduce taxable dividends subject to Part IV tax	912		
Third previous tax year to reduce taxable dividends subject to Part IV tax	913		
Non-capital losses – Closing balance	180		

* A non-capital loss expires as follows:

- After **7** tax years if it arose in a tax year ending before March 23, 2004;
- After **10** tax years if it arose in a tax year ending after March 22, 2004, and before 2006; or
- After **20** tax years if it arose in a tax year ending after 2005.

An allowable business investment loss becomes a net capital loss as follows:

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

Election under paragraph 88(1.1)(f)

Paragraph 88(1.1)(f) election indicator .... 190 Yes [ ]
Loss from a wholly owned subsidiary deemed to be a loss of the parent from its immediately previous tax year.

Part 2 - Capital losses

Continuity of capital losses and request for a carryback

Capital losses at the end of the previous tax year	200		
Capital losses transferred on the amalgamation or the wind-up of a subsidiary corporation	205		
Deduct:			
Other adjustments (includes adjustments for an acquisition of control)	250		
Section 80 – Adjustments for forgiven amounts	240		
Add:		Subtotal	
Current-year capital loss (from the calculation on Schedule 6)	210		26,295
Unused non-capital losses that expired in the tax year*		A	
Allowable business investment losses (ABIL) that expired as non-capital losses in the tax year**		B	
Enter amount from line A or B, whichever is less	215		
ABILs expired as non-capital loss: line 215 divided by the inclusion rate*** 75.0000 %	220		
		Subtotal	26,295

Note: If there has been an amalgamation or a wind-up of a subsidiary, do a separate calculation of the ABIL expired as non-capital loss for each predecessor or subsidiary. Add all these amounts and enter the total at line 220 above.

Deduct: Amount applied against the current-year capital gain (see Note 1)	225		
		Subtotal	26,295

Deduct – Request to carry back capital loss to (see Note 2):

	Capital gain (100%)		Amount carried back (100%)	
First previous tax year	97,307	951	26,295	
Second previous tax year		952		
Third previous tax year	27,077	953		26,295
Capital losses – Closing balance		280		

Note 1
Enter the amount from line 225 **multiplied** by 50% on line 332 of the T2 return.

Note 2
On lines 225, 951, 952, or 953, whichever applies, enter the actual amount of the loss. When the loss is applied, multiply this amount by the 50% inclusion rate.

* Enter the losses from the 8th previous tax year if the losses were incurred in a tax year ending before March 23, 2004. Enter the losses from the 11th previous tax year if the losses were incurred in a tax year ending after March 22, 2004, and before 2006. Enter the losses from the 21st previous tax year if the losses were incurred in a tax year ending after 2005. Enter the part that was not used in previous years and the current year on line A.

** Enter the losses from the 8th previous tax year if the losses were incurred in a tax year ending before March 23, 2004. Enter the losses from the 11th previous tax year if the losses were incurred in a tax year ending after March 22, 2004. Enter the full amount on line B.

*** This inclusion rate is the rate used to calculate your ABIL referred to at line B. Therefore, use one of the following inclusion rates, whichever applies:

- For ABILs incurred in the 1999 and previous tax years, use 0.75.
- For ABILs incurred in the 2000 and 2001 tax years, the inclusion rate is equal to amount M on Schedule 6 - version T2SCH6(01).
- For ABILs incurred in the 2002 and later tax years, use 0.50.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback

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

* A farm loss expires as follows:
- After 10 tax years if it arose in a tax year ending before 2006; or
- After 20 tax years if it arose in a tax year ending after 2005.

Part 4 – Restricted farm losses

Current-year restricted farm loss

Total losses for the year from farming business		485	C
Minus the deductible farm loss:			
$2,500 plus D or E, whichever is less	$ 2,500		
(Amount C above ______ – $2,500) divided by 2 = ______ D			
$ 6,250 E			2,500 F
Current-year restricted farm loss (amount C minus amount F) (enter this amount on line 410)			

Continuity of restricted farm losses and request for a carryback

	Line	Amount	Total
Restricted farm losses at the end of the previous tax year			
Deduct: Restricted farm loss expired *	400		
Restricted farm losses at the beginning of the tax year	402		
Add: Restricted farm losses transferred on the amalgamation or the wind-up of a subsidiary corporation	405		
Current-year restricted farm loss (enter on line 233 of Schedule 1)	410		
Deduct:			
Amount applied against farming income (enter on line 333 of the T2 return)	430		
Section 80 – Adjustments for forgiven amounts	440		
Other adjustments	450		
Subtotal			
Deduct – Request to carry back restricted farm loss to:			
First previous tax year to reduce farming income	941		
Second previous tax year to reduce farming income	942		
Third previous tax year to reduce farming income	943		
Restricted farm losses – Closing balance	480		

Note
The total losses for the year from all farming businesses are calculated without including scientific research expenses.

* A restricted farm loss expires as follows:
- After 10 tax years if it arose in a tax year ending before 2006; or
- After 20 tax years if it arose in a tax year ending after 2005.

Part 5 – Listed personal property losses

Continuity of listed personal property loss and request for a carryback

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

Part 7 – Limited partnership losses

Current-year limited partnership losses

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

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

Limited partnership losses from prior tax years that may be applied in the current year

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

Continuity of limited partnership losses that can be carried forward to future tax years

Partnership identifier	Limited partnership losses at the end of the previous tax year	Limited partnership losses transferred on an amalgamation or the wind-up of a subsidiary	Current-year limited partnership losses (from column 620)	Limited partnership losses applied (cannot exceed column 650)	Limited partnership losses closing balance (662 + 664 + 670 - 675)
660	662	664	670	675	680

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

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SCHEDULE 6

SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- For use by corporations that have disposed of capital property or claimed an allowable business investment loss, or both, in the tax year.
- Use this schedule to make a designation under paragraph 111(4)(e) of the federal *Income Tax Act*, if the control of the corporation has been acquired by a person or group of persons.

For more information, see the section called "Schedule 6, Summary of Dispositions of Capital Property" in the *T2 Corporation – Income Tax Guide*.

Designation under paragraph 111(4)(e) of the *Income Tax Act*

Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)?

050 1 Yes [ ] 2 No [X] If Yes, attach a statement specifying which properties are subject to such a designation.

Part 1 – Shares

	No. of shares 100	Name of corporation 105	Class of shares 106	Date of acquisition YYYY/MM/DD 110	Proceeds of disposition 120	Adjusted cost base 130	Outlays and expenses (dispositions) 140	Gain (or loss) (column 120 less cols. 130 and 140) 150	Foreign source
1									
				Totals					

Total adjustment under subsection 112(3) of the ITA to all losses identified in Part 1 160

Actual gain or loss from the disposition of shares (total of line 150 plus line 160) . . . . . A

Part 2 – Real estate – Do not include losses on depreciable property

	Municipal address 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code 200	Date of acquisition YYYY/MM/DD 210	Proceeds of disposition 220	Adjusted cost base 230	Outlays and expenses (dispositions) 240	Gain (or loss) (column 220 less cols. 230 and 240) 250	Foreign source
1							
		Totals					B

Part 3 – Bonds

	Face value 300	Maturity date 305	Name of issuer 307	Date of acquisition YYYY/MM/DD 310	Proceeds of disposition 320	Adjusted cost base 330	Outlays and expenses (dispositions) 340	Gain (or loss) (column 320 less cols. 330 and 340) 350	Foreign source
1									
				Totals					C

Part 4 – Other properties – Do not include losses on depreciable property

	Description 400	Date of acquisition YYYY/MM/DD 410	Proceeds of disposition 420	Adjusted cost base 430	Outlays and expenses (dispositions) 440	Gain (or loss) (column 420 less cols. 430 and 440) 450	Foreign source
1	Enerconnect Partnership Interest	1997-11-01	27,705	54,000		-26,295	
2							
		Totals	27,705	54,000		-26,295	D

Part 5 – Personal-use property (Do not include listed personal property)

	Description 500	Date of acquisition YYYY/MM/DD 510	Proceeds of disposition 520	Adjusted cost base 530	Outlays and expenses (dispositions) 540	Gain only (column 520 less cols. 530 and 540) 550	Foreign source	
1								
	Note: Losses are not deductible	Totals						E

Part 6 – Listed personal property

	Description 600	Date of acquisition YYYY/MM/DD 610	Proceeds of disposition 620	Adjusted cost base 630	Outlays and expenses (dispositions) 640	Gain (or loss) (column 620 less cols. 630 and 640) 650	Foreign source	
1								
		Totals						

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

Subtract: Unapplied listed personal property losses from other years 655 ______

Amount from line 655 is from line 530 in Part 5 of Schedule 4

Net gains (or losses) ______ F

Part 7 – Determining allowable business investment losses

Property qualifying for and resulting in an allowable business investment loss

	Name of small business corporation 900	Shares, enter 1; debt, enter 2 905	Date of acquisition YYYY/MM/DD 910	Proceeds of disposition 920	Adjusted cost base 930	Outlays and expenses (dispositions) 940	(Loss)(column 920 less cols. 930 and 940) 950	Foreign source	
1									
	Note: Properties listed in Part 7 should not be included in any other parts of Schedule 6		Totals						G

Allowable business investment losses . . . . Amount G ______ x 50 % = ______ H

Enter amount H on line 406 of Schedule 1

Part 8 – Determining capital gains or losses

Total of amounts A to F (do not include F if the amount is a loss)		-26,295	I	
Add:				Foreign source
Capital gains dividend received in the year	875		J	☐
Capital gains reserve opening balance (from Schedule 13)	880		K	
Subtotal (**add** amounts I, J, and K)		-26,295	L	
Deduct: Capital gains reserve closing balance (from Schedule 13)	885		M	
Capital gains or losses (amount L minus amount M)	890	-26,295		

Part 9 – Determining taxable capital gains and total capital losses

Capital gains or losses (amount from line 890 above) .... -26,295 N

Deduct the following gains that are included in the amount N:

Gain on donation of a share, debt obligation, or right listed on a designated stock exchange and other amounts under paragraph 38(a.1) of the *Income Tax Act*

					Foreign source
realized prior to May 2, 2006	____	x 50 % =	____	O	☐
realized after May 1, 2006			____	P	☐
		Subtotal: O plus P **895**	____		

Gain on donation of ecologically sensitive land

					Foreign source
realized prior to May 2, 2006	____	x 50 % =	____	Q	☐
realized after May 1, 2006			____	R	☐
		Subtotal: Q plus R **896**	____		

Exempt portion of the gain on the donation of securities arising from the exchange of a partnership interest under paragraph 38(a.3) as proposed in federal Bill C-50 .... ____ R-2 Foreign source ☐

Total: line 895 plus line 896 plus R-2 ____ S

Amount N minus amount S .... -26,295 T

Total capital losses: If amount T is a loss, enter it on line 210 of Schedule 4

Taxable capital gains: If amount T is a gain, enter it on this line and multiply .... ____ x 50 % = ____ U

Enter amount U on line 113 of Schedule 1

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

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

	1 Class number	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate %	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (column 7 multiplied by column 8; or a lower amount) (line 403 of Schedule 1)****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
	200		201	203	205	207	211		212	213	215	217	220
1	1		159,895,852			0		159,895,852	4	0	0	6,395,834	153,500,018
2	2		32,107,086			0		32,107,086	6	0	0	1,926,425	30,180,661
3	8		636,218	84,571		0	42,286	678,503	20	0	0	135,701	585,088
4	10		2,371,572	1,605,558		3,117	801,221	3,172,792	30	0	0	951,838	3,022,175
5	45		913,778	87,212		0	43,606	957,384	45	0	0	430,823	570,167
6	12		117,901	552,619		0	276,310	394,210	100	0	0	394,210	276,310
7	47		27,129,810	23,320,871	-14,850	0	11,660,436	38,775,395	8	0	0	3,102,032	47,333,799
8	3		1,095,267	1,593,825	-316,897	0	796,913	1,575,282	5	0	0	78,764	2,293,431
9	50			328,084		0	164,042	164,042	55	0	0	90,223	237,861
		Total	224,267,484	27,572,740	-331,747	3,117	13,784,814	237,720,546				13,505,850	237,999,510

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

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments.*

**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

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

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

	Name	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 In		87083 6269 RC0001	3					
4.	Hydro One Telecom Inc.		86800 1066 RC0001	3					
5.	Hydro One Telecom Link Limited		88786 7513 RC0001	3					
6.	Hydro One Delivery Service Inc.		86917 7246 RC0001	1					
7.	Hydro One Lake Erie Link Managem		87892 1519 RC0001	3					
8.	Hydro One Lake Erie Link Company		87560 6519 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	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

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

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

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")			200	30,420,984	A
Add: Cost of eligible capital property acquired during the taxation year	222	19,171			
Other adjustments	226				
Subtotal (line 222 plus line 226)		19,171 x 3 / 4 = 14,378	B		
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	x 1 / 2 =	C		
amount B minus amount C (if negative, enter "0")		14,378 ▶		14,378	D
Amount transferred on amalgamation or wind-up of subsidiary			224		E
Subtotal (add amounts A, D, and E)			230	30,435,362	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G		
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H		
Other adjustments	246		I		
(add amounts G,H, and I)		x 3 / 4 =	248		J
Cumulative eligible capital balance (amount F minus amount J)				30,435,362	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)					
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business			249		
amount K	30,435,362				
less amount from line 249					
Current year deduction	30,435,362 x 7.00 % =	250	2,130,475 *		
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		2,130,475 ▶		2,130,475	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")			300	28,304,887	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.

T2 SCH 10 (04)

Canada

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

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

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

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1	OPEB	4,999,000		344,000		5,343,000
2	Legal Claim Provision	246,869			246,869	
3	Allow. for Doubtful Accounts					
4	Regulatory Assets	-4,599,707		10,925,267		6,325,560
5						
	Reserves from Part 2 of Schedule 13					
	Totals	646,162		11,269,267	246,869	11,668,560

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.

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SCHEDULE 15

DEFERRED INCOME PLANS

Name of corporation	Business Number	Tax year end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

- Complete the information below if the corporation deducted payments from its income made to a registered pension plan (RPP), a registered supplementary unemployment benefit plan (RSUBP), a deferred profit sharing plan (DPSP), or an employee profit sharing plan (EPSP).
- If the trust that governs an employee profit sharing plan is **not resident** in Canada, please indicate if the T4PS, *Statement of Employees Profit Sharing Plan Allocations and Payments,* Supplementary slip(s) were filed for the last calendar year, and whether they were filed by the trustee or the employer.

	Type of plan (see note 1) 100	Amount of contribution $ (see note 2) 200	Registration number (RPP, RSUBP, and DPSP only) 300	Name of EPSP trust 400	Address of EPSP trust 500	T4PS slip(s) filed by: (see note 3) (EPSP only) 600
1	1	1,015,717	0345983	Ontario Municipal Employees Retirem	1 University Ave Suite 1000 Toronto ON CA M5J 2P1	

Note 1: Enter the applicable code number:

1 – RPP
2 – RSUBP
3 – DPSP
4 – EPSP

Note 2: You do not need to add to Schedule 1 any payments you made to deferred income plans. To reconcile such payments, calculate the following amount:

Total of all amounts indicated in column 200 of this schedule .... 1,015,717 **A**

Less:

Total of all amounts for deferred income plans deducted in your financial statements .... 1,015,717 **B**

Deductible amount for contributions to deferred income plans (amount A **minus** amount B) (if negative, enter "0") .... **C**

Enter amount C on line 417 of Schedule 1

Note 3: T4PS slip(s) filed by:

1 – Trustee
2 – Employer

T2 SCH 15 (06)

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SCHEDULE 31

INVESTMENT TAX CREDIT – CORPORATIONS

General information

1. For use by a corporation that during a tax year:
   - earned an investment tax credit (ITC);
   - is claiming a deduction against its Part I tax payable;
   - is claiming a refund of credit earned during the current tax year;
   - is claiming a carryforward of credit from previous tax years;
   - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act;*
   - is requesting a credit carryback; or
   - is subject to a recapture of ITC.
2. References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
3. The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward for credits earned in tax years that end after 1997 and a ten-year carryforward for credits earned in tax years that end before 1998. The apprenticeship job creation tax credit can only be carried back to tax years that end after May 1, 2006.
4. Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
   - qualified property (Parts 4 to 7);
   - qualified expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Carried out in Canada*;
   - pre-production mining expenditures (Parts 18 to 20);
   - apprenticeship job creation expenditures (Parts 21 to 23); and
   - child care spaces expenditures (Parts 24 to 28).
5. Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return.*
6. For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures.*
7. For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures;* Information Circular 86-4, *Scientific Research and Experimental Development;* Pamphlet T4052, *An Introduction to the Scientific Research and Experimental Development Program;* and Guide T4088, *Claiming Scientific Research and Experimental Development – Guide to Form T661.*

Detailed information

1. For the purpose of this schedule, "**investment**" means:
   The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
2. An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
3. Property acquired has to be "available for use" before a claim for an ITC can be made.
4. Qualified expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
5. Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151. Special rules apply to specified and limited partners.
6. For SR&ED expenditures made after February 22, 2005, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone. For SR&ED expenditures made before February 23, 2005, the expression "in Canada" generally includes the 12 nautical mile territorial sea.

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

Part 1 – Investments, expenditures and percentages

	Specified percentage
Investments	
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC) throughout the tax year, this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate.	
If you are a corporation that is not a CCPC throughout the current tax year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures:	
• in 2004	7 %
• after 2004	10 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment after May 1, 2006	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . . **101** 1 Yes [ ] 2 No [X]

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC throughout the current tax year and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its business limit for that previous year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than the total of their business limits for that last year.

Note: A CCPC calculating a refundable ITC for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). For tax years ending after March 22, 2004, the association rule remains the same except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any ITCs earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . . **102** 1 Yes [ ] 2 No [X]

If yes, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in.
For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*.
Enter contributions on line 350 of Part 8.

QUALIFIED PROPERTY

Part 4 – Eligible investments for qualified property from the current tax year

CCA* class number 105	Description of investment 110	Date available for use 115	Location used (province) 120	Amount of investment 125

*CCA: capital cost allowance

Total investment – enter in formula on line 240 in Part 5

Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations 210

Credit expired* 215

Subtotal

ITC at the beginning of the tax year 220

Add:

Credit transferred on amalgamation or wind-up of subsidiary 230

ITC from repayment of assistance 235

Total current-year credit: total of column 125 ______ x 10 % = 240

Credit allocated from a partnership 250

Subtotal

Total credit available

Deduct:

Credit deducted from Part I tax (enter on line B1 in Part 30) 260

Credit carried back to the previous year(s) (from Part 6) A

Credit transferred to offset Part VII tax liability 280

Subtotal

Credit balance before refund B

Deduct:

Refund of credit claimed on investments from qualified property (from Part 7) 310

ITC closing balance of investments from qualified property 320

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 6 – Request for carryback of credit from investments in qualified property

	Year	Month	Day		
1st previous tax year				Credit to be applied	901
2nd previous tax year				Credit to be applied	902
3rd previous tax year				Credit to be applied	903

Total (enter on line A in Part 5)

Part 7 – Calculation of refund for qualifying corporations on investments from qualified property

Current-year ITCs (total of lines 240 and 250 in Part 5) C

Credit balance before refund (amount B from Part 5) D

Refund (40 % of amount C or D, whichever is less) E

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

SR&ED

Part 8 – Qualified expenditures for SR&ED

Current expenditures (including contributions to agricultural organizations for SR&ED)*	350	140,864
Capital expenditures	360	234,805
Repayments made in the year (from line 560 on Form T661)	370	
Total (this must equal the amount from line 570 on Form T661)*	380	375,669

* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC throughout the current tax year.

Note: A CCPC that calculates SR&ED expenditure limit for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). This also applies for tax years ending after March 22, 2004, except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? **385** 1 Yes [X] 2 No [ ]

Complete lines 390 and 395 if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

a) Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied) **390** 24,319,172

b) Enter your reduced business limit** for the current tax year* (this amount cannot be more than the amount at line 4 on page 4 of the T2 return) **395** 400,000

* If either of the tax years referred to at line 390 or 395 is less than 51 weeks, multiply the taxable income or the business limit by the following result: 365 divided by the number of days in these tax years. For details on the expression "Reduced business limit," see line 652 of the *T2 Corporation – Income Tax Guide*.

** If the corporation is claiming only a portion of the business limit from line 4 on page 4 of the T2 return because of its association with other corporations, calculate your reduced business limit as if the corporation was not associated in the current tax year. Enter the result at line 395.

Part 10 – Calculation of SR&ED expenditure limit for a CCPC throughout the current tax year

For stand-alone corporations:

Calculation of the $2,000,000 SR&ED expenditure limit $ 5,000,000 *

Subtract: line 390 from Part 9 or $400,000*, whichever is more 24,329,172 x 10 = 243,291,720

Excess (if negative, enter "0") F

Line F ______ x Line 395 / Line 4 on page 4 of the T2 return = ______ G1

Line G1 ______ x Number of days before February 26, 2008 / Number of days in the tax year 365 = ______ G2

Calculation of the $3,000,000 SR&ED expenditure limit $ ______

Subtract: line 390 from Part 9 or $400,000, whichever is more* ______ x 10 = ______

Excess (if negative, enter "0") ______ G3

Line G3 ______ x ______ – (Taxable capital used in Canada for previous tax year –) = ______ G4

Line G4 ______ x Number of days after February 25, 2008 / Number of days in the tax year 365 = ______ G5

SR&ED expenditure limit – Add lines G2 and G5) ______ **G

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 **400** ______ **H

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Line G or H ______ x Number of days in the tax year 365 / 365 = ______ I

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) **410** ______

* If your tax year immediately follows a tax year that ended before 2007, the references to $6,000,000 and $400,000 should be $5,000,000 and $300,000 respectively.

** Amount G or H cannot be more than $3,000,000 ($2,000,000 for a tax year that ended before February 26, 2008).

Part 11 – Calculation of investment tax credits on SR&ED expenditures

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	420		x	35 %	=		J
Line 350 minus line 410 (if negative, enter "0")	430	140,864	x	20 %	=	28,173	K
Line 410 minus line 350 (if negative, enter "0")			L				
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	440		x	35 %	=		M
Line 360 minus line L (if negative, enter "0")	450	234,805	x	20 %	=	46,961	N

Repayments (amount from line 370 in Part 8) ....

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.

460		x	35 %	=	
470		x	30 %	=	
480		x	20 %	=	
			Total		▶ O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) 75,134

* For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures

	Line			
ITC at the end of the previous tax year				
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired*	515			
	Subtotal		▶	
ITC at the beginning of the tax year			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit	540	75,134		
Credit allocated from a partnership	550			
	Subtotal	75,134	▶	75,134
Total credit available				75,134
Deduct:				
Credit deducted from Part I tax (enter on line B2 in Part 30)	560	75,134		
Credit carried back to the previous year(s) (from Part 13)			P	
Credit transferred to offset Part VII tax liability	580			
	Subtotal	75,134	▶	75,134
Credit balance before refund				O
Deduct:				
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)			610	
ITC closing balance on SR&ED			620	

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day		Line	
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	
				Total (enter on line P in Part 12)		

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . **650** 1 Yes ☐ 2 No ☒

Credit balance before refund (amount Q from Part 12) . . . ______ R

Current-year ITC (lines 540 plus 550 from Part 12 **minus** line O from Part 11) ______ S

Refundable credits (amount R or S, whichever is less)* . . . ______ T

Amount J from Part 11 . . . ______ U

Subtract: Amount T or U, whichever is less . . . ______ V

Net amount (if negative, enter "0") . . . ______ W

Amount W ______ x 40 % . . . ______ X

Add: Amount V . . . ______ Y

Refund of ITC (amounts X **plus** Y – enter this, or a lesser amount, on line 610 in Part 12) . . . ______ Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%.
Claim this, or a lesser amount, as your refund of ITC on line Z.

Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2.

Credit balance before refund (amount Q from Part 12) . . . ______ AA

Amount J from Part 11 . . . ______ BB

Subtract: Amount AA or BB, whichever is less . . . ______ CC

Net amount (if negative, enter "0") . . . ______ DD

Amount M from Part 11 . . . ______ EE

Amount DD or EE, whichever is less ______ x 40 % . . . ______ FF

Add : Amount CC above . . . ______ GG

Refund of ITC (amounts FF **plus** GG) . . . ______ HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

RECAPTURE – SR&ED

Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997, or in any of the 10 previous tax years, if the credit was earned in a tax year ending before 1998;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

	Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less
1.			

Subtotal (enter this amount on line LL in Part 17) ______ II

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16.

A Rate percentage that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	B Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	C Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED (continued)

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line JJ below.

D Amount determined by the formula (A x B) - C	E ITC earned by the transferee for the qualified expenditures that were transferred 750	F Amount from column D or E, whichever is less

Subtotal (enter this amount on line MM in Part 17) ____ JJ

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12 on page 5. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line KK below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line NN in Part 17) 760 ____ KK

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from line II in Part 16 ____ LL

Recaptured ITC for calculation 2 from line JJ in Part 16 abeve ____ MM

Recaptured ITC for calculation 3 from line KK in Part 16 above ____ NN

Total recapture of SR&ED investment tax credit – Add lines LL, MM and NN ____ OO

Enter amount OO at line A1 in Part 29.

PRE-PRODUCTION MINING

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year and after 2002.

List of minerals 800

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only.

Project name 805	Mineral title 806	Mining division 807

Pre-production mining expenditures *

Pre-production mining expenditures that the corporation incurred in the tax year and after 2002, for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting . . . . . 810 ______ PP

Geological, geophysical, or geochemical surveys . . . . . 811 ______ QQ

Drilling by rotary, diamond, percussion, or other methods . . . . . 812 ______ RR

Trenching, digging test pits, and preliminary sampling . . . . . 813 ______ SS

Pre-production mining expenditures incurred in the tax year and after 2002 for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping . . . . . 820 ______ TT

Sinking a mine shaft, constructing an adit, or other underground entry . . . . . 821 ______ UU

Other pre-production mining expenditures incurred in the tax year and after 2002:

Description 825	Amount 826

Add amounts at column 826 ______ ► ______ VV

Total pre-production mining expenditures (add amounts PP to VV) 830 ______

Deduct: Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . . 832 ______

Excess (line 830 minus line 832) (if negative, enter "0") ______ WW

Add: Repayments of government and non-government assistance . . . . . 835 ______ XX

Pre-production mining expenditures (amount WW plus amount XX) . . . . . ______ YY

* A pre-production mining expenditure is defined under subsection 127(9) and does not include an amount renounced under subsection 66(12.6).

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

Part 19 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures

ITC* at the end of the previous tax year ....

Deduct:

Credit deemed as a remittance of co-op corporations 841

Credit expired* 845

Subtotal ▶

ITC at the beginning of the tax year 850

Add:

Credit transferred on amalgamation or wind-up of subsidiary 860

Expenditures from line YY, Part 18, incurred in 2003 .... 865 ______ x 5 % = ______ ZZ

Expenditures from line YY, Part 18, incurred in 2004 .... 867 ______ x 7 % = ______ AAA

Expenditures from line YY, Part 18, incurred after 2004 .... 870 ______ x 10 % = ______ BBB

Total current-year credit (add amounts ZZ, AAA, and BBB) .... 880 ▶

Total credit available ....

Deduct:

Credit deducted from Part I tax (enter on line B3 in Part 30) 885

Credit carried back to the previous year(s) (from Part 20) CCC

Subtotal ▶

ITC closing balance from pre-production mining expenditures 890

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	921	
2nd previous tax year				Credit to be applied	922	
3rd previous tax year				Credit to be applied	923	
				Total (enter on line CCC in Part 19)		

APPRENTICESHIP JOB CREATION

Part 21 – Calculation of total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) . . . . 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Also enter the name of the eligible trade, the eligible salary and wages* payable for employment after May 1, 2006, and 10% of this amount. Then enter the lesser of 10% of eligible salary and wages or $2,000.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	[illegible]	Power Line Worker	29,967	2,997	2,000
2.	[illegible]	Power Line Worker	45,255	4,526	2,000
3.					
4.					
				Total current-year credit (enter at line 640)	4,000

* Net of any other government or non-government assistance received or to be received.

Part 22 – Calculation of current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year			
Deduct:			
Credit deemed as a remittance of co-op corporations	612		
Credit expired after 20 tax years	615		
Subtotal			
ITC at the beginning of the tax year		625	
Add:			
Credit transferred on amalgamation or wind-up of subsidiary	630		
ITC from repayment of assistance	635		
Total current-year credit (total of column 605)	640	4,000	
Credit allocated from a partnership	655		
Subtotal		4,000	4,000
Total credit available			4,000
Deduct:			
Credit deducted from Part I tax (enter on line B4 in Part 30)	660	4,000	
Credit carried back to the previous year(s) (from Part 23)		DDD	
Subtotal		4,000	4,000
ITC closing balance from apprenticeship job creation expenditures		690	

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

Carryback of this credit is restricted to tax years ending after May 1, 2006.

	Year	Month	Day			
1st previous tax year				Credit to be applied	931	
2nd previous tax year				Credit to be applied	932	
3rd previous tax year				Credit to be applied	933	
				Total (enter on line DDD in Part 22)		

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

CHILD CARE SPACES

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred after March 18, 2007, to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation is not a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

*CCA: capital cost allowance

Cost of depreciable property from the current tax year	715		EEE
Add: Specified child care start-up expenditures from the current tax year	705		FFF
Total gross eligible expenditures for child care spaces (line 715 **plus** line 705)			GGG
Deduct: Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line GGG)	725		HHH
Excess (amount GGG **minus** amount HHH) (if negative, enter "0")			III
Add: Repayments of government and non-government assistance	735		JJJ
Total eligible expenditures for child care spaces (amount III **plus** amount JJJ)	745		

Part 25 – Calculation of current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred after March 18, 2007, to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)			x 25 % =		KKK
Number of child care spaces	755		x $ 10,000 =		LLL
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)					MMM

Part 26 – Calculation of current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year				
Deduct:				
Credit deemed as a remittance of co-op corporations	765			
Credit expired after 20 tax years	770			
Subtotal			▶	
ITC at the beginning of the tax year			775	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	777			
Total current-year credit (amount MMM above)	780			
Credit allocated from a partnership	782			
Subtotal			▶	
Total credit available				
Deduct:				
Credit deducted from Part I tax (enter on line B5 in Part 30)	785			
Credit carried back to the previous year(s) (from Part 27)			NNN	
Subtotal			▶	
ITC closing balance from child care spaces expenditures			790	

Part 27 – Request for carryback of credit from child care space expenditures

	Year Month Day			
1st previous tax year	2006-12-31	Credit to be applied	941	
2nd previous tax year	2005-12-31	Credit to be applied	942	
3rd previous tax year	2004-12-31	Credit to be applied	943	
		Total (enter on line NNN in Part 26)		

Name of corporation	Business Number	Tax year-end Year Month Day
Hydro One Brampton Networks Inc.	86486 7635 RC0001	2007-12-31

RECAPTURE – CHILD CARE SPACES

Part 28 – Calculating the recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) .... ______ ZZZ

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC .. **795** ______

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property .... **797** ______

Amount from line 795 or line 797, whichever is less .... ______ OOO

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26 on page 13. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC **799** ______ PPP

Total recapture of child care spaces investment tax credit – Add lines ZZZ, OOO, and PPP
Enter amount QQQ on line A2 in Part 29. .... ______ QQQ

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC from line OO in Part 17 on page 8		A1
Recaptured child care spaces ITC from line QQQ in Part 28 above		A2
Total recapture of investment tax credit – Add lines A1 and A2 Enter amount A3 on line 602 on page 7 of the T2 return.		A3

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5)		B1
ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12)	75,134	B2
ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19)		B3
ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22)	4,000	B4
ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26)		B5
Total ITC deducted from Part I tax (add lines B1, B2, B3, B4, and B5) Enter amount B6 at line 652 on page 7 of the T2 return.	79,134	B6