KPMG

Financial Statements of

BURLINGTON HYDRO INC.

Year ended December 31, 2003

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AUDITORS' REPORT

To the Shareholder:

We have audited the balance sheet of Burlington Hydro Inc. as at December 31, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Hamilton, Canada

March 5, 2004

BURLINGTON HYDRO INC.

Balance Sheet

December 31, 2003, with comparative figures for 2002

	2003	2002
Assets		
Current assets:		
Cash and temporary investments	$ 14,496,606	$ 11,093,549
Accounts receivable (note 2)	10,122,976	13,185,253
Unbilled revenue	13,090,245	14,239,785
Inventories (note 3)	1,019,606	1,097,130
Work in progress	1,083,991	295,433
Prepaid expenses	311,805	309,943
Future payment in lieu of taxes	-	412,000
	40,125,229	40,633,093
Property, plant and equipment (note 4)	75,769,717	74,685,392
Receivable from related party (note 5)	-	750,000
Securities held as customers' deposits (note 6)	2,698,131	1,034,904
Other assets (note 7)	2,567,132	2,803,748
Future payment in lieu of taxes	222,000	-
	$ 121,382,209	$ 119,907,137
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 14,660,800	$ 13,654,188
Work order deposits	1,746,962	1,049,798
Payment in lieu of taxes payable	1,678,839	174,184
Other current liabilities	1,523,868	2,680,501
	19,610,469	17,558,671
Note payable (note 9)	47,878,608	47,878,608
Liability for future benefits (note 10)	2,078,931	2,007,286
Customers' deposits (note 6)	2,700,769	2,391,504
Future payment in lieu of taxes	-	387,000
Shareholder's equity:		
Capital stock (note 11)	45,139,138	45,139,138
Retained earnings	3,098,066	3,668,702
Paid-in capital	876,228	876,228
	49,113,432	49,684,068
Commitments and contingencies (note 15)		
	$ 121,382,209	$ 119,907,137

See accompanying notes to financial statements.

BURLINGTON HYDRO INC.

Statement of Earnings and Retained Earnings

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Gross revenue	$ 135,727,645	$ 146,689,220
Cost of power, wholesale market and network charges	111,205,783	125,506,670
Net distribution revenue	24,521,862	21,182,550
Other operating revenue	1,958,339	1,801,330
Expenses:		
Operations and maintenance	4,856,788	4,900,648
Billing and collection	2,098,010	1,880,336
General administration	3,662,333	3,411,869
Depreciation	5,401,076	5,195,739
	16,018,207	15,388,592
	10,461,994	7,595,288
Interest expense	3,576,315	3,112,566
Earnings before payment in lieu of taxes	6,885,679	4,482,722
Payment in lieu of taxes:		
Current	2,603,315	347,000
Future	(197,000)	941,000
	2,406,315	1,288,000
Net earnings	4,479,364	3,194,722
Retained earnings, beginning of year	3,668,702	473,980
Less dividends paid	5,050,000	-
Retained earnings, end of year	$ 3,098,066	$ 3,668,702

See accompanying notes to financial statements.

BURLINGTON HYDRO INC.

Statement of Cash Flows

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operations (note 12)	$ 15,659,971	$ 2,504,453
Financing:		
Liability for future benefits	(149,387)	(157,039)
Increase in securities held as customer deposits	(1,663,227)	(86,904)
Dividends paid	(5,050,000)	-
Increase in customers' deposits	309,265	358,537
	(6,553,349)	114,594
Investments:		
Purchase of property, plant and equipment	(6,745,181)	(3,361,881)
Proceeds on sale of property, plant and equipment	55,000	133,247
Receivable from related party	750,000	-
Other assets	236,616	(2,429,449)
	(5,703,565)	(5,658,083)
Increase (decrease) in cash and temporary investments	3,403,057	(3,039,036)
Cash and temporary investments, beginning of year	11,093,549	14,132,585
Cash and temporary investments, end of year	$ 14,496,606	$ 11,093,549

See accompanying notes to financial statements.

On December 1, 1999, Burlington Hydro Inc. (the "Corporation") was incorporated under the Business Corporations Act with net assets contributed from the predecessor hydro-electric commission. The incorporation was required in accordance with the Electricity Act, 1998 (Ontario) (the "EA"). The Corporation provides electricity distribution and related services to its commercial and residential customers. Active operations commenced on January 1, 2000.

1. Significant accounting policies:

The Corporation has adopted accounting policies prescribed by the Canadian Institute of Chartered Accountants and therefore the financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Corporation is a regulated distribution company. Significant accounting policies are as follows:

(a) Revenue recognition:

Revenue is recorded in the accounts to various dates on the basis of monthly or bi-monthly meter readings. Therefore, at the end of an accounting cycle, there is energy used by consumers for which meter readings are not available. This "unbilled revenue" is estimated and recorded in the accounts at the end of each fiscal year.

(b) Investments:

Investments are recorded at the lower of cost and net realizable value.

(c) Inventories:

Inventories are valued at the lower of average cost and net realizable value and consist of capital construction and maintenance materials and supplies.

(d) Property, plant and equipment:

Property, plant and equipment are stated at cost. The cost and related accumulated depreciation of transmission and distribution facilities are removed from the accounts at the end of their estimated average service life. When property, plant and equipment are disposed of, their original cost and accumulated depreciation are removed from the accounts and the related gain or loss is included in current operations.

Depreciation is provided on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2%
Sub-station buildings	2%
Sub-station equipment	3.33%
Distribution lines - overhead	4%
Distribution lines - underground	4%
Distribution transformers	4%
Distribution meters	4%
Rolling stock	12.5-25%
Tools and equipment	10%
Office equipment	10%
Computer equipment and software	20%

1. Significant accounting policies (continued):

(e) Contributions and grants:

Contributions and grants received for capital are netted against property, plant and equipment and are amortized to income on the same basis as the related asset.

(f) Payments in lieu of taxes ("PILs"):

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA").

Pursuant to the EA, the Corporation is required to compute taxes under the ITA and OCTA and remit such amounts there under computed to the Ministry of Finance (Ontario). These amounts, referred to as PILs under the EA, are applied to reduce certain debt obligations of the former Ontario Hydro continuing in Ontario Electricity Financial Corporation.

The Corporation provides for PILs using the asset and liability method. Under this method, future tax assets and liabilities are recognized, to the extent such are determined likely to be realized, for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the Ontario Energy Board (OEB) and recovered from the customers of the Corporation at that time.

PILs recoverable from loss carryforwards are recorded in future payments in lieu of taxes on the balance sheet at the current enacted statutory tax rates expected to apply when recovery of the loss carryforwards are expected to be recovered.

(g) Employee future benefits:

The Corporation pays certain life insurance benefits, under unfunded defined benefit plans, on behalf of its retired employees and extended health and dental benefits under unfunded defined benefit plans, on behalf of early retirees. These post-retirement costs are recognized in the period in which the employees rendered their services to the Corporation.

(h) Paid in capital:

Paid in capital arises from development charges received prior to January 1, 2000 which were provided or paid for by developers, and are recorded as a permanent component of shareholder's equity.

1. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and note disclosures related thereto. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates recorded in preparing these financial statements including changes as a result of future regulatory decisions.

Accounts receivable, unbilled revenue and regulatory assets are stated after evaluation of amounts expected to be collected and an appropriate allowance for doubtful accounts. Inventories are recorded net of provisions for obsolescence. Amounts recorded for depreciation of equipment are based on estimates of useful service life.

2. Accounts receivable:

	2003	2002
Customer receivables	$ 9,887,639	$ 12,606,785
Receivable from Burlington Electricity Services Inc.	-	51,738
Receivable from Burlington Hydro Electric Inc.	1,000	-
Other	549,337	701,730
	10,437,976	13,360,253
Less allowance for doubtful accounts	315,000	175,000
	$ 10,122,976	$ 13,185,253

3. Inventories:

	2003	2002
Stores	$ 764,180	$ 733,582
Reels	12,322	12,923
Transformers	146,773	218,877
Meters	96,331	131,748
	$ 1,019,606	$ 1,097,130

4. Property, plant and equipment:

			2003	2002
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 311,935	$ 8,328	$ 303,607	$ 304,000
Buildings	6,918,895	2,196,665	4,722,230	4,862,221
Sub-station buildings	1,445,712	669,700	776,012	780,511
Sub-station equipment	13,569,191	7,428,396	6,140,795	6,168,336
Distribution lines - overhead	42,501,028	17,434,550	25,066,478	24,724,275
Distribution lines - underground	44,642,558	25,508,333	19,134,225	18,841,659
Distribution - transformers	30,475,736	14,389,852	16,085,884	15,441,133
Distribution - meters	11,066,378	5,083,576	5,982,802	5,738,428
Rolling stock	2,475,952	2,074,732	401,220	546,646
Tools and equipment	1,964,665	1,700,912	263,753	295,991
Office equipment	924,719	778,637	146,082	112,517
Computer equipment	1,708,456	1,386,554	321,902	270,164
Computer software	2,346,393	2,097,418	248,975	193,313
Contributions and grants	(4,335,467)	(511,219)	(3,824,248)	(3,593,802)
	$ 156,016,151	$ 80,246,434	$ 75,769,717	$ 74,685,392

Total depreciation expense for the year is $5,660,468 (2002 - $5,521,712) of which $259,392 (2002 - $325,973) has been allocated to distribution and utilization expense.

Contributions are received from developers to finance necessary capital additions. The OEB requires the utility to calculate a rebate to the developers based upon recoverability of capital investment through future hydro usage. At December 31, 2003 a liability in the amount of $1,110,774 was accrued.

5. Receivable from related party:

Note receivable from Burlington Hydro-Electric Inc., the parent company, is due on demand bearing interest at prime commencing June 1, 2001. The full amount of the note receivable was repaid during the current fiscal year.

6. Securities held as customers' deposits:

The Corporation has a policy of funding customers' deposits and paying interest on these deposits at a rate determined quarterly. The average rate of interest paid by the Corporation for 2003 was .85% (2002 – 1.14%).

7. **Other assets:**

	2003	2002
Regulatory assets:		
Other qualifying costs recoverable	$ 281,011	$ 279,182
Pre-market opening energy variance	3,426,244	3,226,557
Post-market opening retail settlement variances	2,240,548	2,225,404
Other non-current assets	-	27,988
	5,947,803	5,759,131
Valuation allowance	(3,380,671)	(2,955,383)
	$ 2,567,132	$ 2,803,748

Regulatory assets represent costs incurred by the Corporation for the purpose of supporting the deregulation of the electricity industry in Ontario. These amounts have been accumulated pursuant to regulation underlying the EA and deferred in anticipation of their future recovery in electricity distribution service charges.

Transition costs - represent specific and incremental costs to the Corporation for systems and process changes to support the opening of the competitive electricity market in Ontario on May 1, 2002 ("Market Opening"). These costs have been deferred pursuant to regulation underlying the EA and are subject to review and approval for recovery by the Ontario Energy Board ("OEB"). Expenditures determined to be ineligible for recovery will be expensed in the period of such determination.

Pre-market opening cost of energy variances - represent the excess of the cost of the commodity electricity to the Corporation over the amount billed to its customers prior to Market Opening.

Post-market opening retail settlement variances - represent amounts that have accumulated since Market Opening and comprise:

(a) variances between amounts charged by the Independent Electricity Market Operator ("IMO") for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges, and the amounts billed to customers by the Corporation based on the OEB approved wholesale market service rate; and

(b) variances between the amounts charged by the IMO to allow for purchases of imported electricity and the amounts billed to customers by the Corporation based on OEB approved rates.

Deferred payments in lieu of taxes - represent variances that result from the difference between OEB approved PILs recoverable in electricity distribution services charges and the actual amount of these charges to customers that relates to the recovery of PILs. The OEB provides 3

7. Other assets (continued):

alternative accounting methods to record this variance. The Corporation has selected alternative 3. Under this alternative, the actual collection of PILs is reflected as revenue on the income statement. Any over or under collection of PILs are recorded in contra accounts on the balance sheet. Revenue will be adjusted in the year that the true-up of the variance occurs.

Restructuring of the electricity industry in Ontario

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), conferred on the Ontario Energy Board ("OEB") increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity consumers, and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions to electricity distributors, which may include, among other things, specified accounting records, regulatory accounting principles, separation of accounts for distinct businesses and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.

In response to volatile and rising electricity prices in 2002, the Province of Ontario enacted The Electricity Pricing, Conservation and Supply Act, 2002 ("EPCSA"). Under the EPCSA, the electricity distribution rates charged by the Corporation have been effectively frozen at current levels until 2006. The EPCSA directed electricity distribution utilities, such as the Corporation, to continue deferral of regulatory assets.

On December 18, 2003, a newly elected and currently ruling Liberal government in the Province passed legislation, the *Ontario Energy Board Amendment Act (Electricity Pricing)*, 2003 (the "Amendment Act"), which is based on a principle that the price of electricity should better reflect its true cost. The Amendment Act, which has not yet been proclaimed in force, will effectively remove the cap on the commodity price of electricity imposed by the EPCSA in favour of an interim two tiered and fixed commodity price structure. For residential and small commercial customers, the fixed commodity price will be 4.7¢ per kWh for the first 750 kWh of consumption per month and 5.5¢ per kWh for any incremental monthly consumption thereafter. The interim structure will remain in place until no later than May 1, 2005 after which the OEB will assume responsibility for setting the commodity price for electricity under a process yet to be developed.

7. Other assets (continued):

Restructuring of the electricity industry in Ontario (continued)

In conjunction with the passing of the Amendment Act, the Minister of Energy issued a letter dated December 19, 2003 (the "Minister's Letter") stating an intention to allow electricity distribution companies to recover regulatory assets and proceed to earn the original, full regulatory rate of return as follows:

- Commencing in fiscal 2004, electricity distribution companies were permitted through a rate filing with the OEB in accordance with its prescribed rate filing guidelines, to request rate increases to permit the recovery of regulatory assets over a four-year period. However, there are also provisions in these OEB rate filing guidelines that serve to have a significant offsetting impact on the amount of rate increase otherwise related to regulatory assets. The Corporation filed a rate application with the OEB in January 2004 and anticipates recovering its regulatory assets over a four year period commencing April 1, 2004 with such recovery subject to the OEB's approval following its review of these amounts;
- Commencing March 1, 2005, electricity distribution companies will be permitted to adjust rates to achieve the full theoretical regulatory rate of return, currently 9.88%. However, the Minister's Letter imposes a condition that the electricity distribution companies invest the equivalent of one year of the amount of the adjustment in conservation and demand side management initiatives, to be prescribed in future regulation.

8. Accounts payable and accrued liabilities:

	2003	2002
Commodity and transmission charges	$ 9,178,214	$ 9,737,614
Region of Halton	2,538,942	2,405,706
Payable to Burlington Electricity Services Inc.	45,208	-
Developer's rebate	1,110,774	-
Other	1,787,662	1,510,868
	$ 14,660,800	$ 13,654,188

9. Note payable:

The promissory note payable is due on demand to the City of Burlington. The City has waived its right to demand payment until January 2005. The note bears interest at 7.25%. Interest of $3,471,199 (2002 - $2,998,985) to the City was expensed during the year.

10. Liability for future benefits:

The Corporation pays certain life insurance benefits on behalf of its retired employees as well as extended health and dental benefits for early retirees to age 65. Effective January 1, 2000, the Corporation adopted The Canadian Institute of Chartered Accountants new accounting standards for employee future benefits. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2002 of $2,387,000 and the net periodic benefit cost for the year ended December 31, 2003 were determined by an actuarial valuation using discount rates of 6% and 5.75% respectively.

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

	2003	2002
Accrued benefit liability recognized in the balance sheet, beginning of year	$ 2,007,286	$ 1,958,520
Expense for the year	221,032	205,805
Benefits paid for the year	(149,387)	(157,039)
Projected accrued benefit obligation, at end of year	$ 2,078,931	$ 2,007,286

The main actuarial assumptions employed for the valuations are as follows:

(a) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.2% in 2003 and thereafter.

(b) Interest (discount rate):

The obligation as at December 31, 2002, of the present value of future liabilities and the expense for the year ended December 31, 2003, were determined using discount rates of 6.0% and 5.75% respectively. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.8% and 3.55% respectively.

(c) Salary levels:

Future general salary and wage levels were assumed to increase at a rate consistent with the rate of inflation.

(d) Medical costs:

Medical costs were assumed to increase at the CPI rate plus a further increase of 6.3% in 2003 graded down to 2.3% in 2007 and thereafter.

(e) Dental costs:

Dental costs were assumed to increase at the CPI rate plus a further increase of 2.3% in 2003 and thereafter.

11. Capital stock:

Capital stock consists of the following:

	2003	2002
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	$ 45,139,138	$ 45,139,138

12. Cash flow information:

(a) Reconciliation of net income to cash provided by operations:

	2003	2002
Net earnings	$ 4,479,364	$ 3,194,722
Items not involving cash:		
Depreciation	5,660,468	5,521,712
Gain on disposal of property, plant and equipment	(54,612)	(95,118)
Future benefits expense	221,032	205,805
Future payment in lieu of taxes	(197,000)	941,000
Change in non-cash working capital:		
Accounts receivable	3,062,277	(5,732,189)
Unbilled revenue	1,149,540	(3,693,258)
Inventories	77,524	240,042
Work in progress	(788,558)	(92,423)
Prepaid expenses	(1,862)	(175,812)
Accounts payable and accrued liabilities	1,006,612	(115,710)
Work order deposits	697,164	319,974
Payment in lieu of taxes payable	1,504,655	163,660
Other current liabilities	(1,156,633)	1,822,048
	$ 15,659,971	$ 2,504,453

(b) Supplemental cash flow information:

	2003	2002
Cash received during the year from interest	$ 561,521	$ 221,359
Cash paid during the year for interest	3,471,199	3,159,281
Cash paid during the year for PILs	1,438,200	473,340

13. Pension plans:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of services and the best 60 consecutive months average earnings.

Effective August 1, 1998, OMERS provided a temporary contribution holiday, with no corporate or employee pension contributions payable by the Corporation or its employees until December 31, 2002. Contributions by the Corporation commenced January 1, 2003. The phased in rate was 2.1% for employee earnings below the year's maximum pensionable earnings and 2.6% thereafter. Beginning January 1, 2004 the full contribution rate of 6.0% will be in effect for employee earnings below the year's maximum pensionable earnings and 8.8% thereafter.

The amount contributed to OMERS for 2003 was $124,463 (2002 - $0) for current service and is included as an expenditure on the Statement of Earnings and Retained Earnings.

14. Public liability insurance:

The Corporation through its parent company is a named insurer of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other through the same attorney. MEARIE provides general liability insurance to member electric utilities in accordance with the Power Corporation Act of Ontario; subsection 116(2), to a maximum of $20,000,000 per occurrence.

Insurance premiums charged to each municipal electric utility consists of a levy per thousand dollars of service revenue subject to a credit/surcharge based on each electric utility's claims experience.

15. Commitments and contingencies:

Commitments:

The Corporation has an $8,000,000 revolving line of credit facility available for use. A letter of credit in the amount of $12,000,000 has been issued in favour of the Independent Market Operator ("IMO") as security for the Corporation's purchase of electricity through the IMO. No other amounts were drawn down on the line of credit at year end.

The Corporation is committed under an operating lease for equipment to make payments totaling $59,000 in 2004.

15. Commitments and contingencies (continued):

Contingent liability:

A class action claiming $500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario. At this time it is not possible to quantify the effect, if any, on the financial statements of Burlington Hydro Inc.

16. Transactions with related parties:

Related parties are the Corporation's parent, Burlington Hydro-Electric Inc. and a subsidiary of the parent, Burlington Electricity Services Inc.

The Corporation paid a management fee of $114,400 (2002 - $114,000) to its parent and received interest on the note receivable of $32,280 (2002 - $32,000). The Corporation received $342,260 (2002 - $278,000) from a company under common control for billing services.

During the year, the Corporation earned gross revenue of $1,791,585 (2002 - $2,288,000) from the City of Burlington. Of this amount, $223,120 (2002 - $204,000) was net distribution revenue.

17. Payments in lieu of taxes:

The provision for PILs varies from amounts, which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2003	2002
Basic rate applied to income before PILs	36.62%	38.62%
Increase (decrease) in PILs resulting from:		
Tax basis of depreciable capital assets and goodwill in excess of accounting basis	(5.78)	(9.65)
Items not deductible for tax purposes and other	2.25	(4.92)
Provision for payments in lieu of large corporations taxes	1.86	4.68
Effective rate applied to income before PILs	34.95%	28.73%

During the year, the Corporation applied $245,000 (2002 - $606,000) of current PILs liability against the 2001 PILs recoverable from loss carryforward. A remaining balance of nil (2002 - $272,000) is available to be applied against future PILs on income.

At year end based on substantively enacted income tax rates, future income tax assets of $7,984,000 (2002 - $6,989,000) have not been recorded. Such future income tax assets relate to tax bases of depreciable capital assets in excess of amounts recorded for accounting purposes. Such future tax assets have not been recorded in the accounts, as there is uncertainty as to whether the Corporation will realize the benefits related to these assets, which would be realized as relatively modest reductions of future tax liability over many future years.

18. Financial instruments:

The carrying values of cash and temporary investments, accounts receivable, securities held for customer deposits, accounts payable and accrued liabilities approximate fair values because of the short maturity of these instruments.

Financial assets held by the Corporation, such as accounts receivable and unbilled revenue, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Burlington. No single customer in either year would account for revenue in excess of 3% of the respective reported balances.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.