



Financial Statements of

BURLINGTON HYDRO INC.

Year ended December 31, 2002



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AUDITORS' REPORT

To the Shareholder:

We have audited the balance sheet of Burlington Hydro Inc. as at December 31, 2002 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, 2002 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 6, 2003



BURLINGTON HYDRO INC.

Balance Sheet

December 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	\$ 1,094,853	\$ 543,738
Temporary investments	9,998,696	13,588,847
Accounts receivable (note 2)	13,185,253	7,453,064
Unbilled revenue	14,239,785	10,546,527
Inventories (note 3)	1,097,130	1,337,172
Work orders in progress	295,433	203,010
Prepaid expenses	309,943	134,131
Future payment in lieu of taxes	412,000	871,000
	<u>40,633,093</u>	<u>34,677,489</u>
Property, plant and equipment (note 4)	74,685,392	76,883,352
Receivable from related party (note 5)	750,000	750,000
Securities held as customers' deposits (note 6)	1,034,904	948,000
Other assets (note 7)	2,803,748	374,299
Future payment in lieu of taxes	-	95,000
	<u>\$ 119,907,137</u>	<u>\$ 113,728,140</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 13,654,188	\$ 13,769,898
Work order deposits	1,049,798	729,824
Payment in lieu of taxes payable	174,184	10,524
Other current liabilities	2,680,501	858,453
	<u>17,558,671</u>	<u>15,368,699</u>
Note payable (note 9)	47,878,608	47,878,608
Liability for future benefits (note 10)	2,007,286	1,958,520
Customers' deposits (note 6)	2,391,504	2,032,967
Future payment in lieu of taxes	387,000	-
Shareholder's equity:		
Capital stock (note 11)	45,139,138	45,139,138
Retained earnings	3,668,702	473,980
Paid-in capital	876,228	876,228
	<u>49,684,068</u>	<u>46,489,346</u>
Commitments and contingencies (notes 4 and 15)		
	<u>\$ 119,907,137</u>	<u>\$ 113,728,140</u>

See accompanying notes to financial statements.

BURLINGTON HYDRO INC.

Statement of Earnings and Retained Earnings

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Gross revenue	\$ 146,689,220	\$ 125,142,447
Cost of power, wholesale market and network charges	125,506,670	110,749,587
Net distribution revenue	21,182,550	14,392,860
Other operating revenue	1,801,330	2,761,313
Expenses:		
Operations and maintenance	4,900,648	4,451,872
Billing and collection	1,880,336	1,791,445
General administration	3,411,869	2,768,437
Depreciation	5,195,739	5,104,270
	15,388,592	14,116,024
	7,595,288	3,038,149
Interest expense	3,112,566	872,965
Earnings before payment in lieu of taxes	4,482,722	2,165,184
Payment in lieu of taxes:		
Current	347,000	-
Future	941,000	(966,000)
	1,288,000	(966,000)
Net earnings	3,194,722	3,131,184
Retained earnings, beginning of year	473,980	542,796
Less dividends paid	-	(3,200,000)
Retained earnings, end of year	\$ 3,668,702	\$ 473,980

See accompanying notes to financial statements.

BURLINGTON HYDRO INC.

Statement of Cash Flows

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operations (note 12)	\$ 2,504,453	\$ 9,413,848
Financing:		
Liability for future benefits	(157,039)	(160,164)
Increase in securities held as customer deposits	(86,904)	(208,380)
Dividends paid	-	(3,200,000)
Increase in customers' deposits	358,537	486,506
	114,594	(3,082,038)
Investments:		
Additions to property, plant and equipment	(3,361,881)	(3,468,114)
Proceeds on sale of property, plant and equipment	133,247	83,198
Receivable from related party	-	(750,000)
Other assets	(2,429,449)	(374,299)
	(5,658,083)	(4,509,215)
Increase (decrease) in cash and temporary investments	(3,039,036)	1,822,595
Cash and temporary investments, beginning of year	14,132,585	12,309,990
Cash and temporary investments, end of year	\$ 11,093,549	\$ 14,132,585

See accompanying notes to financial statements.

BURLINGTON HYDRO INC.

Notes to Financial Statements

Year ended December 31, 2002

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%

BURLINGTON HYDRO INC.

Notes to Financial Statements, page 2

Year ended December 31, 2002

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").

Commencing October 1, 2001 and pursuant to the EA, the Corporation is required to compute taxes under the ITA and OCTA and remit such amounts thereunder 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 deferred 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.

BURLINGTON HYDRO INC.

Notes to Financial Statements, page 3

Year ended December 31, 2002

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 and amortization of equipment are based on estimates of useful service life.

2. Accounts receivable:

	2002	2001
Customer receivables	\$ 12,606,785	\$ 6,820,755
Receivable from Burlington Electricity Services Inc.	51,738	209,123
Other	701,730	559,186
	13,360,253	7,589,064
Less allowance for doubtful accounts	175,000	136,000
	\$ 13,185,253	\$ 7,453,064

3. Inventories:

	2002	2001
Stores	\$ 733,582	\$ 971,664
Reels	12,923	24,374
Transformers	218,877	258,458
Meters	131,748	82,676
	\$ 1,097,130	\$ 1,337,172

BURLINGTON HYDRO INC.

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Year ended December 31, 2002

4. Property, plant and equipment:

			2002	2001
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 311,935	\$ 7,935	\$ 304,000	\$ 304,744
Buildings	6,897,893	2,035,672	4,862,221	5,008,835
Sub-station buildings	1,414,411	633,900	780,511	795,163
Sub-station equipment	13,089,952	6,921,616	6,168,336	6,547,837
Distribution lines – overhead	40,303,645	15,579,370	24,724,275	25,294,741
Distribution lines – underground	42,612,709	23,771,050	18,841,659	19,130,575
Distribution – transformers	29,091,288	13,650,155	15,441,133	15,223,350
Distribution - meters	10,489,237	4,750,809	5,738,428	5,663,441
Rolling stock	2,674,723	2,128,077	546,646	812,840
Tools and equipment	1,914,491	1,618,500	295,991	330,633
Office equipment	852,989	740,472	112,517	151,809
Computer equipment	1,558,191	1,288,027	270,164	303,365
Computer software	2,227,976	2,034,663	193,313	171,907
Contributions and grants	(3,931,602)	(337,800)	(3,593,802)	(2,855,888)
	\$ 149,507,838	\$ 74,822,446	\$ 74,685,392	\$ 76,883,352

Total depreciation expense for the year is \$5,521,712 (2001 - \$5,540,879) of which \$325,973 (2001 - \$436,609) 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. The amount of this repayment cannot be determined and will be recorded in the year settled. This could have an impact on cash available for dividends.

5. Receivable from related party:

	2002	2001
Note receivable from Burlington Hydro-Electric Inc., the parent company, due on demand, bearing interest at prime, commencing June 1, 2001	\$ 750,000	\$ 750,000

6. Securities held as customers' deposits:

The Corporation has a policy of funding approximately 50% of customers' deposits and paying interest on these deposits at a rate determined quarterly. The average rate of interest paid by the Corporation for 2002 was 1.14% (2001 - 3.30%).

BURLINGTON HYDRO INC.

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Year ended December 31, 2002

7. Other assets:

	2002	2001
Regulatory assets:		
Other qualifying costs recoverable	\$ 279,182	\$ 146,317
Payment in lieu of taxes	-	201,588
Pre-market opening energy variance	3,766,929	1,480,412
Post-market opening retail settlement variances	1,685,032	-
Other non-current assets	27,988	26,394
	5,759,131	1,854,711
Valuation allowance	(2,955,383)	(1,480,412)
	\$ 2,803,748	\$ 374,299

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.

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Year ended December 31, 2002

7. Other assets (continued):

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.

Prior to the EA and OEBA, the former Ontario Hydro exercised regulatory control over the electricity distribution sector through its powers under the Power Corporation Act. However, with the implementation of the EA and OEBA, the Power Corporation Act was repealed and the powers previously held by Ontario Hydro over the electricity distribution sector were passed to the OEB.

The EA provides for a competitive marketplace in the sale of electricity. Such marketplace is expected to be deregulated and electricity retailers will be competing for customers in 2002.

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 Corporation may apply to the Minister of Energy for rate increases or adjustments prior to 2006. However, it is anticipated that such increases or adjustments will only be approved in very limited or extraordinary circumstances.

Consequently, the Corporation will be unable to apply for the recovery of regulatory assets which was originally anticipated to commence March 1, 2003. However, the EPCSA directed electricity distribution utilities, such as the Corporation, to continue deferral of regulatory assets. In a letter dated January 23, 2003, the Minister of Energy indicated that the OEB will be directed to complete, prior to the end of 2003, a review of regulatory assets and to confirm amounts eligible for recovery and that the recovery of eligible amounts will commence no later than 2006.

BURLINGTON HYDRO INC.

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Year ended December 31, 2002

8. Accounts payable and accrued liabilities:

	2002	2001
Commodity and transmission charges	\$ 9,737,614	\$ 10,497,616
Region of Halton	2,405,706	2,107,719
Interest on note payable	-	292,046
Other	1,510,868	872,517
	<u>\$ 13,654,188</u>	<u>\$ 13,769,898</u>

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 2004. The note bears interest at 7.25% commencing April 2001, with no fixed terms of repayment, however, the rate was phased in and effective April 1, 2002, the rate has been changed to 7.25%. Interest of \$2,998,985 (2001 - \$872,965) to the City was expensed during the year.

10. Liability for future benefits:

Burlington Hydro Inc. 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, Burlington Hydro Inc. adopted The Canadian Institute of Chartered Accountants new accounting standards for employee future benefits. Burlington Hydro Inc. recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability at December 31, 2000 of \$1,914,559 and the expense for the 12 months ended December 31, 2001, was determined by actuarial valuation using a discount rate of 6.0%.

Information about Burlington Hydro's defined benefit plans is as follows:

	2002	2001
Accrued benefit liability recognized in the balance sheet, beginning of year	\$ 1,958,520	\$ 1,914,559
Expense for the year	205,805	204,125
Benefits paid for the year	(157,039)	(160,164)
Projected accrued benefit obligation at, end of year	<u>\$ 2,007,286</u>	<u>\$ 1,958,520</u>

BURLINGTON HYDRO INC.

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Year ended December 31, 2002

10. Liability for Future Benefits (continued):

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 3.5% in 2002 and thereafter.

(b) Interest (discount rate):

The obligation as at December 31, 2001, of the present value of future liabilities and the expense for the 12 months ended December 31, 2002, were determined using a discount rate of 6.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 2.5%.

(c) Salary levels:

Future general salary and wage levels were assumed to increase at 2% per annum.

(d) Medical costs:

Medical costs were assumed to increase at the CPI rate plus a further increase of 3.0% in 2002 graded down to 1% in 2004 and thereafter.

(e) Dental costs:

Dental costs were assumed to increase at the CPI rate plus a further increase of 1% in 2002 and thereafter.

11. Capital stock:

Capital stock consists of the following:

	2002	2001
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	\$ 45,139,138	\$ 45,139,138

BURLINGTON HYDRO INC.

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Year ended December 31, 2002

12. Cash flow information:

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

	2002	2001
Net earnings	\$ 3,194,722	\$ 3,131,184
Items not involving cash:		
Depreciation	5,521,712	5,540,879
Gain on disposal of property, plant and equipment	(95,118)	(83,198)
Future benefits expense	205,805	204,125
Future payment in lieu of taxes	941,000	(966,000)
Change in non-cash working capital:		
Accounts receivable	(5,732,189)	(44,539)
Unbilled revenue	(3,693,258)	(525,559)
Inventories	240,042	521,222
Work orders in progress	(92,423)	203,389
Prepaid expenses	(175,812)	15,098
Accounts payable and accrued liabilities	(115,710)	1,516,148
Work order deposits	319,974	(117,441)
Payment in lieu of taxes payable	163,660	10,524
Other current liabilities	1,822,048	8,016
	\$ 2,504,453	\$ 9,413,848

(b) Supplemental cash flow information:

	2002	2001
Cash received during the year from interest	\$ 221,359	\$ 573,487
Cash paid during the year for interest	3,159,281	580,918
Cash paid during the year for PILs	473,340	143,204
Non-cash investing activity:		
Acquisition of non-cash assets net of liabilities assumed through issuance of common shares	-	(8,922,449)
Acquisition of assets through issuance of note payable	-	8,878,608
Transfer of land to City of Burlington	-	(43,841)

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Year ended December 31, 2002

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 will commence effective January 1, 2003. Contributions will be phased in, with successive equal annual rate increases, over three years gradually rising from 2.1% for employee earnings below the years maximum pensionable earnings and 2.6% thereafter to 6.3% and 7.8% respectively by January 1, 2005.

14. Public liability insurance:

The Corporation is a member 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:

Commitment:

The Corporation has a \$10,000,000 revolving line of credit facility available for use, of which \$2,100,000 has been issued as a letter of credit. A letter of credit in the amount of \$23,500,000 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.

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.

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Year ended December 31, 2002

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 \$114,000 (2001 - \$108,000) to its parent and received interest on the note receivable of \$32,000 (2001 - \$21,000). The Corporation received \$278,000 (2001 - \$276,000) from a company under common control for billing services.

During the year, the Corporation earned gross revenue of \$2,288,000 from the City of Burlington. Of this amount, \$204,000 was the 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:

	2002	2001
Basic rate applied to income before PILs	38.62%	40.62%
Increase (decrease) in PILs resulting from:		
Income exempt from PILs prior to October 1, 2001	-	(80.57)
Tax basis of depreciable capital assets and goodwill in excess of accounting basis	(9.65)	(4.70)
Items not deductible for tax purposes and other	(4.92)	.03
Provision for payments in lieu of large corporations taxes	4.68	-
Effective rate applied to income before PILs	28.73%	(44.62)%

The Corporation was exempt from PILs prior to October 1, 2001. The Corporation incurred an accounting loss of \$1,158,832 in the period between October 1, 2001 and December 31, 2001. After consideration for differences between accounting income and income for PILs purposes, the Corporation recorded PILs recoverable from loss carryforwards of \$871,000 which was recorded in deferred PILs for the 2001 fiscal year. During the year, the Corporation applied \$606,000 of current PILs liability against the 2001 PILs recoverable from loss carryforward. A remaining balance of \$272,000 is available to be applied against future PILs on income but will otherwise expire by 2008.

At year end based on substantively enacted income tax rates, future income tax assets of \$6,989,000 (2001 - \$7,387,000) 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.

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18. Financial instruments:

The carrying values of cash and cash equivalents, 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.