



November 17, 2011

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

**RE: BRANTFORD POWER INC.
2012 3RD GENERATION IRM DISTRIBUTION RATE APPLICATION
EB-2011-0147**

Further to the email received today from Ms. Vlahos, Analyst, Electricity Rates, regarding information not submitted with Brantford Power Inc.'s 2012 IRM Rate Application, Brantford Power Inc. is filing the financial statements submitted with tax returns for 2001 through to and including 2005.

Brantford Power Inc. apologizes for this omission. We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

Original signed by

George Mychailenko
Chief Executive Officer

cc. Heather Wyatt, Manager of Regulatory Compliance & Governance, Board Secretary
Nadia Tahir, Senior Regulatory Analyst
Phillip Chisulo, Regulatory Analyst

BRANTFORD POWER INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2001

ASSETS

Cash and bank	6,806,826
Accounts receivable	5,763,021
Income taxes recoverable	7,564
Unbilled revenue	4,444,000
Inventories	999,973
Prepaid expenses	65,314
	18,086,698
Capital assets	40,466,949

58,553,647

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	12,445,696
Current portion - long term liabilities	379,450
	12,825,146

Long Term Liabilities

25,338,813

38,163,959

SHAREHOLDER'S EQUITY

Capital stock	22,437,505
Deficit	-2,047,817
	20,389,688

58,553,647

NOTICE TO READER

We have compiled this statement from information provided by the company. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this statement may not be appropriate for their purposes.

June 27, 2002
Brantford, Ontario

Millard, House & Rosebragh LLP

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.
STATEMENT OF INCOME AND RETAINED EARNINGS

For the three months ended December 31, 2001

Service Revenue	
Residential	5,889,060
General	10,740,843
Street lighting	100,382
Unbilled revenue adjustment	66,778
Power purchase variance account	2,366,000
	<u>19,163,063</u>
Cost of Power	<u>17,151,503</u>
Distribution Revenue	2,011,560
Direct expenses	<u>1,371,340</u>
Gross Margin	<u>640,220</u>
Indirect Expenses	
Billing and collecting	159,868
Administration and general	342,436
Amortization	460,154
Interest on long term debt	537,438
	<u>1,499,896</u>
Loss Before Other Income	-859,676
Other income	520,888
Loss Before Income Taxes	-338,788
Income tax provision	-21,128
Net loss	-359,916
Deficit - beginning of period	-1,687,901
Deficit - end of year	<u>-2,047,817</u>

NOTICE TO READER

We have compiled this statement from information provided by the company. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this statement may not be appropriate for their purposes.

June 27, 2002
Brantford, Ontario

Millard, Howe & Rosebrugh LLP

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2002

BRANTFORD POWER INC.

For the year ended December 31, 2002

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Millard, Rouse & Rosebrugh LLP

Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

AUDITORS' REPORT

To the Shareholder of
Brantford Power Inc.

We have audited the statement of financial position of Brantford Power Inc. as at December 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

March 31, 2003

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.**STATEMENT OF FINANCIAL POSITION**

As at December 31	2002	2001
ASSETS		
Current Assets		
Cash and bank	4,692,389	6,806,826
Accounts receivable (Note 3)	8,200,253	3,614,590
Income taxes recoverable	166,450	7,564
Unbilled revenue	6,900,000	4,444,000
Inventories	939,896	999,973
Prepaid expenses	10,219	65,314
	20,909,207	15,938,267
Regulatory Assets (Note 4)	5,265,302	2,148,431
Property, Plant and Equipment (Note 5)	41,025,878	40,466,949
	67,200,387	58,553,647
LIABILITIES		
Current Liabilities		
Trade payables and accrued liabilities	13,486,359	10,208,258
Loan interest payable to The Corporation of the City of Brantford	4,435,268	2,237,438
Current portion - long term liabilities	379,450	379,450
	18,301,077	12,825,146
Long Term Liabilities (Note 6)	25,907,456	25,338,813
SHAREHOLDER'S EQUITY		
Capital Stock (Note 7)	22,437,505	22,437,505
Retained Earnings	554,349	(2,047,817)
	22,991,854	20,389,688
	67,200,387	58,553,647

See accompanying notes

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BRANTFORD POWER INC.**STATEMENT OF INCOME AND RETAINED EARNINGS**

For the year ended December 31	2002	2001
Distribution Revenue		
Gross service revenue	74,102,331	68,092,565
Unbilled revenue adjustment	2,456,000	354,000
Retail settlement variance accounts	2,245,335	1,468,000
	78,803,666	69,914,565
Cost of Power	67,257,926	61,086,295
Distribution Revenue - net	11,545,740	8,828,270
Direct Expenses - Page 12	3,194,566	3,125,652
Gross Margin After Direct Expenses	8,351,174	5,702,618
Indirect Expenses		
Billing and collecting	854,915	556,756
Administration and general	1,766,924	2,392,497
Amortization	1,925,441	1,840,616
Interest on long term debt	✕ 2,197,830	2,237,438
	6,745,110	7,027,307
Income Before Other Revenue and Income Taxes	1,606,064	(1,324,689)
Other Revenue - Page 12	1,079,652	977,830
Income Before Income Taxes	2,685,716	(346,859)
Income tax provision	(83,550)	(21,128)
Net Income	2,602,166	(367,987)
Deficit - Beginning of Year	(2,047,817)	(1,679,830)
Retained Earnings - End of Year	554,349	(2,047,817)

x City interest
\$2,177,025.12

See accompanying notes

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BRANTFORD POWER INC.**STATEMENT OF CASH FLOWS**

For the year ended December 31	2002	2001
Cash Flows From Operating Activities		
Net Income	2,602,166	(367,987)
Charges (Credits) to income not involving cash:		
Amortization - property, plant and equipment	1,925,441	1,840,616
	<u>4,527,607</u>	<u>1,472,629</u>
 Net Change in non-cash working capital balances related to operations		
Accounts receivable	(4,585,663)	530,811
Income taxes recoverable	(158,886)	(7,564)
Unbilled revenue	(2,456,000)	(354,000)
Inventory	60,077	(7,766)
Prepaid expenses	55,095	(65,314)
Regulatory assets	(3,116,871)	(2,579,392)
Trade payable and accrued liabilities	3,278,101	1,476,616
Loan interest payable to The Corporation of the City of Brantford	2,197,830	1,874,601
Customer deposits	-	212,509
Employee future benefits	75,718	-
	<u>(4,650,599)</u>	<u>1,080,501</u>
	(122,992)	2,553,130
Cash Flows From Financing Activities		
Long term liabilities - customers deposits	492,925	-
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(2,484,370)	(1,573,760)
 Net Decrease in Cash and Cash Equivalents	(2,114,437)	979,370
Opening Cash and Cash Equivalents	6,806,826	5,827,456
 Closing Cash and Cash Equivalents	<u>4,692,389</u>	<u>6,806,826</u>

See accompanying notes

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

NATURE OF ACTIVITIES

The Company provides electricity distribution services to residents of the City of Brantford. The Company is incorporated under the Ontario Business Corporations Act. The operations of the Company are regulated by the Ontario Energy Board and the Ministry of Energy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the Ontario Energy Board under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles.

(a) **Measurement**

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgement.

(b) **Inventories**

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or replacement cost determined using a weighted average method.

(c) **Property, Plant and Equipment and Amortization**

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

Buildings	50 years	Distribution station equipment	33 years
Distribution lines - overhead	25 years	Distribution lines - underground	25 years
Distribution transformers	25 years	Distribution meters	25 years
Load control units	10 years	Vehicles	5 - 8 years
Tools	2 years		

(d) **Payments in Lieu of Corporate Income Taxes**

The Company provides for payments in lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. 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 Brantford Power Inc. at that time. As at December 31, 2002, future income tax liabilities of \$773,000, based on substantively enacted tax rates, have not been recorded.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Regulatory Policies

The Company has adopted the following policies, as prescribed by the Ontario Energy Board (OEB) for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian generally accepted accounting principles for enterprises operating in a non-rate-regulated environment:

1. Market ready costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures handbook.
3. The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB.

2. RATE SETTING

Prior to the market opening May 1, 2002, Brantford Power purchased power at a fixed price and charged customers a bundled rate for the generation, transmission and distribution of electricity. With the commencement of the open market, the Company purchased electricity from the Independent Market Operator (IMO), at spot market rates and charged its customers unbundled rates. The unbundled rates included the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and other charges such as connection and debt retirement were collected by Brantford Power and remitted to the IMO. The Company retained the distribution charge on the customer hydro invoices.

Brantford Power's approved rate for distribution includes components for the recovery of approved transition costs and estimated payments in lieu of corporate income taxes.

Current transmission and distribution rates provide for the recovery of transition costs and variance amounts incurred to December 31, 2001. Current rates also allow for the recovery of estimated payments in lieu of corporate taxes for 2001 and the estimated payments in lieu of corporate taxes for 2002.

The enactment of Bill 210 on November 11, 2002, effectively capped the Company's approved distribution rates. This rate cap limits the opportunity to recover increased costs and capital spending above current rate base levels through rates during the rate cap period. The rate cap period is currently in effect until at least April 30, 2006.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

3. ACCOUNTS RECEIVABLE	2002	2001
Customer rebate program	2,905,103	-
Accounts receivable	5,773,323	3,633,629
Less: allowance for doubtful accounts	(550,000)	(450,000)
	8,128,426	3,183,629
Deferred payments in lieu of taxes recovery	71,827	430,961
Net accounts receivable	8,200,253	3,614,590

Customer Rebate Program

In recognition of commodity prices above 4.3 cents per kWh for the period from May 1, 2002 to December 31, 2002, Bill 210 required Brantford Power to pay eligible consumers a \$75 refund and to credit any remaining amounts on future bills. The rebate program is a rebate on the cost of electricity for certain customers and is fully funded by the IMO. Brantford Power was responsible to issue the rebate cheques and to credit any additional amounts to specific customers. Any amounts that Brantford Power refunds and credits to customers can be deducted from a subsequent IMO invoice.

As at December 31, 2002, the Company had issued the \$75 rebate cheques and received the corresponding credit from the IMO.

Subsequent to December 31, 2002, the Ministry of Energy extended the customer rebate program to include a larger group of eligible customers. The Company has calculated both the extended program costs and the customer credit amount of the original \$75 rebate program to be approximately \$3,000,000 of which \$2,905,103 was credited against the February and March 2003 IMO invoices and reflected in the current year financial statements. When the balance of the rebate program has been determined, Brantford Power will credit the specific customer accounts and correspondingly reduce the amount they owe to the IMO for the credit amount.

The Ministry of Energy has also introduced a Market Power Mitigation Agreement Rebate Program. This program applies to a specific group of customers and is to be calculated differently than the other programs. All of the Company's costs associated with this new program will be recovered through the IMO, similar to the other rebate programs.

Allowance for Doubtful Accounts

As a result of Bill 210, Brantford Power is no longer able to disconnect delinquent customers for non-payment of accounts between November 11, 2002 and April 1, 2003. Because of this new restriction, accounts that would have normally paid prior to December 31 were not necessarily paid by the end of the year. The allowance account represents the full charge for electricity, including charges paid by the Company to other entities, such as the IMO. These charges are not recovered when a customer defaults. The allowance for doubtful accounts has been increased by \$100,000 as at December 31, 2002.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

4. REGULATORY ASSETS	2002	2001
Transition costs receivable	1,196,643	680,431
Retail settlement variance accounts	4,068,659	1,468,000
Net accounts receivable	5,265,302	2,148,431

Transition costs receivable represent the incremental recoverable costs of preparing for the open electricity market.

The retail settlement variance accounts represent differences between charges billed to customers using the Ontario Energy Board approved fixed reference price and the actual costs billed to Brantford Power Inc. by the IMO.

Bill 210 allows Brantford Power to continue to maintain a record of costs, such as; transition costs, variances, payments in lieu of corporate taxes and any other costs that would have, if not for the implementation of Bill 210, been included in future rate applications. It is anticipated that the Company will be able to include these costs in rate applications once the rate freeze period has expired. The costs have been recorded as regulatory assets, (above). In addition, the Minister of Energy has indicated, in a January 23, 2003 letter to distributors, that he will ask the OEB to complete, no later than December 31, 2003, a review of applications by distributors for recovery of the amounts that Bill 210 deems to be regulatory assets. The letter states that once the OEB completes its review and confirms the amounts to be recovered, recovery will commence no later than 2006.

Brantford Power continues to believe that it is probable that the regulatory assets will be recovered through future rates.

Brantford Power is permitted through legislation to charge interest at the rate of 7¼% on regulatory assets. For reporting purposes, the interest has been calculated based on the actual costs to date. Any discount factor applicable on the regulatory assets has been considered to offset the future interest chargeable on the cost of the assets. When recovery of the regulatory assets becomes certain, Brantford Power will seek to collect all outstanding interest charges pertaining to these assets through future rate applications.

Brantford Power has calculated current deferred expenditures on the same basis as prior costs that were approved by the OEB. If recovery through future rates was no longer considered probable, the amounts would be charged to income in the period the assessment was made.

BRANTFORD POWER INC.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2002

5.	PLANT, PROPERTY AND EQUIPMENT	Accumulated		Net Book Value	
		Cost	Amortization	2002	2001
	Land	52,064	-	52,064	52,064
	Buildings	129,183	5,518	123,665	126,249
	Distribution stations	138,682	10,006	128,676	133,294
	Distribution lines - overhead	14,434,645	1,213,046	13,221,599	13,153,188
	Distribution lines - underground	14,981,277	1,254,918	13,726,359	13,426,628
	Distribution transformers	9,469,552	803,640	8,665,912	8,716,048
	Distribution meters	4,500,558	378,165	4,122,393	4,079,680
	Load control units	547,972	118,724	429,248	484,045
	Vehicles	657,537	101,575	555,962	273,083
	Tools	54,400	54,400	-	22,670
		44,965,870	3,939,992	41,025,878	40,466,949

6.	LONG TERM LIABILITIES	2002	2001
	9% Note payable to The Corporation of the City of Brantford		
	interest only payable annually - balance due February 1, 2006	24,189,168	24,189,168
	Post employment benefit premiums	337,623	261,905
	Customer deposits and interest	1,760,115	1,267,190
		26,286,906	25,718,263
	Less: Current portion	379,450	379,450
		25,907,456	25,338,813

The City of Brantford has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Corporation at a conversion ratio of \$100 per common share.

7.	CAPITAL STOCK	2002	2001
	Authorized - an unlimited number of common shares		
	Issued - 1,001 common shares	22,437,505	22,437,505

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

8. POST-EMPLOYMENT BENEFIT PREMIUMS

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The following amounts have been recorded by the Company:

	2002	2001
Estimated liability relating to future benefit payments owing	337,623	261,905
Current benefit premiums paid	71,479	69,588

9. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford. Brantford Energy Corporation also owns Brantford Hydro Inc. Transactions between Brantford Hydro Inc., Brantford Power Inc. and Brantford Energy Corporation occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

The Company has entered into a shared services agreement with The Corporation of the City of Brantford, whereby the City will provide administrative, support, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement.

10. PRUDENTIAL SUPPORT

Brantford Power is required, through the IMO, to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IMO could draw on this guarantee if Brantford Power fails to make a payment required by a default notice issued by the IMO. The maximum potential payment is the face value of the bank letters of credit. As at December 31 2002, the company provided prudential support in the form of bank letters of credit of \$15,008,750.

11. FINANCIAL INSTRUMENTS

Fair Value

The fair value of financial instruments such as cash and bank, accounts receivable, unbilled revenue and trade payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk

The Company's exposure to credit risk relates to its customer accounts receivable and unbilled revenue. The risk of significant credit loss is considered remote.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

12. LATE PAYMENT PENALTIES

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against The 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.

This claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electrical Distributors Association is undertaking the defence of this class action. At this time it is not possible to quantify the effect, if any, of this claim on the financial statements of the Company.

13. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified to conform to the current year's statement presentation.

BRANTFORD POWER INC.

SCHEDULE OF DIRECT EXPENSES

For the year ended December 31	2002	2001
Operating	69,899	123,178
Maintenance	1,497,550	1,329,909
Demand side management	101,029	196,131
Community relations	129,510	273,389
Metering	292,670	216,796
Board expenses	84,274	68,845
Administration	472,317	466,835
Industry Associations	90,466	59,827
Engineering	456,851	390,742
	3,194,566	3,125,652

SCHEDULE OF OTHER REVENUE

For the year ended December 31	2002	2001
Late payment charges	191,253	199,118
Investment income	500,976	265,933
Connection fees	209,253	149,655
Property rental	128,204	57,834
Class action law suit recovery	-	259,801
Other revenue	49,966	45,489
Total Other Revenue	1,079,652	977,830

BRANTFORD POWER INC.

FINANCIAL STATEMENTS

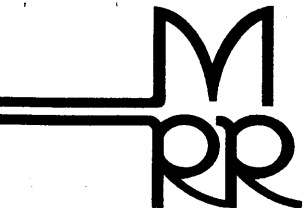
For the year ended December 31, 2003

BRANTFORD POWER INC.

For the year ended December 31, 2003

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Millard, Rouse & Rosebrugh LLP

Chartered Accountants
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Telephone: (519) 759-3511
Facsimile: (519) 759-7961

AUDITORS' REPORT

To the Shareholder of
Brantford Power Inc.

We have audited the statement of financial position of Brantford Power Inc. as at December 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Millard, Rouse & Rosebrugh LLP

March 30, 2004

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.**STATEMENT OF FINANCIAL POSITION**

As at December 31	2003	2002
ASSETS		
Current Assets		
Cash and bank	7,495,713	4,692,389
Accounts receivable (Note 3)	3,819,552	8,128,426
Income taxes recoverable	22,394	166,450
Unbilled revenue	6,704,253	6,900,000
Inventories	1,252,418	939,896
Prepaid expenses	46,651	10,219
	19,340,981	20,837,380
Regulatory Assets (Note 4)	4,487,240	5,337,129
Property, Plant and Equipment (Note 5)	41,154,648	41,025,878
	64,982,869	67,200,387
LIABILITIES		
Current Liabilities		
Trade payables and accrued liabilities	10,538,266	13,567,577
Loan interest payable to The Corporation of the City of Brantford	4,354,050	4,354,050
Current portion - long term liabilities	380,000	379,450
	15,272,316	18,301,077
Long Term Liabilities (Note 6)	26,183,638	25,907,456
SHAREHOLDER'S EQUITY		
Capital Stock (Note 7)	22,437,505	22,437,505
Retained Earnings	1,089,410	554,349
	23,526,915	22,991,854
	64,982,869	67,200,387

See accompanying notes

BRANTFORD POWER INC.**STATEMENT OF INCOME AND RETAINED EARNINGS**

For the year ended December 31	2003	2002
Distribution Revenue		
Gross service revenue	72,280,469	74,102,331
Unbilled revenue adjustment	(195,747)	2,456,000
Retail settlement variance accounts	1,364,411	2,245,335
	73,449,133	78,803,666
Cost of Power	62,453,328	67,257,926
Distribution Revenue - net	10,995,805	11,545,740
Direct Expenses - Page 11	3,035,432	3,194,566
Gross Margin After Direct Expenses	7,960,373	8,351,174
Indirect Expenses		
Billing and collecting	1,056,821	854,915
Administration and general	2,752,154	1,766,924
Amortization	1,969,970	1,925,441
Interest on long term liabilities	✓ 2,205,799	2,197,830
	7,984,744	6,745,110
Income Before Other Revenue and Income Taxes	(24,371)	1,606,064
Other Revenue - Page 11	944,277	1,079,652
Income Before Income Taxes	919,906	2,685,716
Provision for payments in lieu of taxes	(384,845)	(83,550)
Net Income	535,061	2,602,166
Retained Earnings (Deficit) - Beginning of Year	554,349	(2,047,817)
Retained Earnings - End of Year	1,089,410	554,349

X City interest
\$2,177,025.12

See accompanying notes

BRANTFORD POWER INC.**STATEMENT OF CASH FLOWS**

For the year ended December 31	2003	2002
Cash Flows From Operating Activities		
Net Income	535,061	2,602,166
Charges (Credits) to income not involving cash:		
Amortization - property, plant and equipment	1,969,970	1,925,441
	2,505,031	4,527,607
Net Change in non-cash working capital balances related to operations		
Accounts receivable	4,308,874	(4,585,663)
Income taxes recoverable	144,056	(87,059)
Unbilled revenue	195,747	(2,456,000)
Inventory	(312,522)	60,077
Prepaid expenses	(36,432)	55,095
Regulatory assets	849,889	(3,188,698)
Trade payable and accrued liabilities	(3,029,311)	3,359,319
Loan interest payable to The Corporation of the City of Brantford	-	2,116,612
Employee future benefits	84,165	75,718
	2,204,466	(4,650,599)
	4,709,497	(122,992)
Cash Flows From Financing Activities		
Long term liabilities - customers deposits	192,567	492,925
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(2,098,740)	(2,484,370)
Net Increase (Decrease) in Cash and Cash Equivalents	2,803,324	(2,114,437)
Opening Cash and Cash Equivalents	4,692,389	6,806,826
Closing Cash and Cash Equivalents	7,495,713	4,692,389

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTSFor the year ended December 31, 2003

NATURE OF ACTIVITIES

The Company provides electricity distribution services to residents of the City of Brantford. The Company is incorporated under the Ontario Business Corporations Act. The operations of the Company are regulated by the Ontario Energy Board and the Ministry of Energy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the Ontario Energy Board under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles.

(a) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgement.

(b) Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or replacement cost determined using a weighted average method.

(c) Property, Plant and Equipment and Amortization

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

Buildings	50 years	Distribution station equipment	33 years
Distribution lines - overhead	25 years	Distribution lines - underground	25 years
Distribution transformers	25 years	Distribution meters	25 years
Load control units	10 years	Vehicles	5 - 8 years
Tools	2 years		

(d) Payments in Lieu of Corporate Income Taxes

The Company provides for payments in lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. 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 Brantford Power Inc. at that time. As at December 31, 2003, future income tax liabilities of \$1,038,000, based on substantively enacted tax rates, have not been recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Regulatory Policies

The Company has adopted the following policies, as prescribed by the Ontario Energy Board (OEB) for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian generally accepted accounting principles for enterprises operating in a non-rate-regulated environment:

1. Market ready costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures handbook.
3. The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB.

2. RATE SETTING

Prior to the market opening May 1, 2002, Brantford Power purchased power at a fixed price and charged customers a bundled rate for the generation, transmission and distribution of electricity. With the commencement of the open market, the Company purchased electricity from the Independent Market Operator (IMO), at spot market rates and charged its customers unbundled rates. The unbundled rates included the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and other charges such as connection and debt retirement were collected by Brantford Power and remitted to the IMO. The Company retained the distribution charge on the customer hydro invoices.

Brantford Power's approved rate for distribution includes components for the recovery of approved transition costs and estimated payments in lieu of corporate income taxes.

Current transmission and distribution rates provide for the recovery of transition costs and variance amounts incurred to December 31, 2001. Current rates also allow for the recovery of estimated payments in lieu of corporate taxes for 2001 and the estimated payments in lieu of corporate taxes for 2002.

The enactment of Bill 210 on November 11, 2002, effectively capped the Company's approved distribution rates. This rate cap limits the opportunity to recover increased costs and capital spending above current rate base levels through rates during the rate cap period. The rate cap period was in effect throughout 2003.

Effective December 19, 2003, the Ontario Government passed the Ontario Energy Board Amendment Act 2003 (Bill 4). This new act allows for a two tier pricing structure for electricity and also permits distribution companies, through rate filings, to request rate increases to permit the recovery of regulatory asset expenditures incurred to December 31, 2002.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

3.	ACCOUNTS RECEIVABLE	2003	2002
	Customer rebate program	(119,480)	2,905,103
	Accounts receivable	4,489,032	5,773,323
	Less: allowance for doubtful accounts	(550,000)	(550,000)
	Net accounts receivable	3,819,552	8,128,426

4.	REGULATORY ASSETS	2003	2002
	Transition costs receivable	977,175	1,196,643
	Retail settlement variance accounts	5,686,786	4,068,659
	Deferred payments in lieu of taxes	(2,176,721)	71,827
	Net regulatory assets	4,487,240	5,337,129

Transition costs receivable represent the incremental recoverable costs of preparing for the open electricity market.

The retail settlement variance accounts represent differences between charges billed to customers using the Ontario Energy Board approved fixed reference price and the actual costs billed to Brantford Power Inc. by the IMO.

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. As a result of filing a PILs true up variance return for PILs paid and collected to December 31, 2002, the Company was required to true up approximately \$2,100,000. The estimated PILs true up for 2003 is a recovery of \$100,000. Both variances have been recorded as part of deferred payments in lieu of taxes and charged to income in 2003.

Bill 4 allows for the company, through rate filings, to request rate increases to permit the recovery of regulatory assets over a four year period.

Brantford Power has calculated regulatory asset expenditures on the same basis as prior costs that were approved by the OEB. If recovery through future rates was no longer considered probable, the amounts would be charged to income in the period the assessment was made.

Brantford Power is permitted through legislation to charge interest at the rate of 7¼% on regulatory assets. For reporting purposes, the interest has been calculated based on the actual costs to date. Any discount factor applicable on the regulatory assets has been considered to offset the future interest chargeable on the cost of the assets.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

5.	PLANT, PROPERTY AND EQUIPMENT	Accumulated		Net Book Value	
		Cost	Amortization	2003	2002
	Land	52,064	-	52,064	52,064
	Buildings	129,182	8,102	121,080	123,665
	Distribution stations	140,683	14,691	125,992	128,676
	Distribution lines - overhead	14,980,275	1,811,243	13,169,032	13,221,599
	Distribution lines - underground	15,567,527	1,877,619	13,689,908	13,726,359
	Distribution transformers	9,911,836	1,200,114	8,711,722	8,665,912
	Distribution meters	4,730,617	567,390	4,163,227	4,122,393
	Load control units	547,972	173,521	374,451	429,248
	Vehicles	800,390	100,294	700,096	555,962
	Tools	54,400	54,400	-	-
	Work In Progress	47,076	-	47,076	-
		46,962,022	5,807,374	41,154,648	41,025,878

6.	LONG TERM LIABILITIES	2003	2002
	9% Note payable to The Corporation of the City of Brantford		
	interest only payable annually - balance due February 1, 2006	24,189,168	24,189,168
	Post employment benefit premiums	421,788	337,623
	Customer deposits and interest	1,952,682	1,760,115
		26,563,638	26,286,906
	Less: Current portion	380,000	379,450
		26,183,638	25,907,456

The City of Brantford has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Corporation at a conversion ratio of \$100 per common share.

7.	CAPITAL STOCK	2003	2002
	Authorized - an unlimited number of common shares		
	Issued - 1,001 common shares	22,437,505	22,437,505

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

8. POST-EMPLOYMENT BENEFIT PREMIUMS

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The following amounts have been recorded by the Company:

	2003	2002
Estimated liability relating to future benefit payments owing	421,788	337,623
Current benefit premiums paid	84,165	71,479

9. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford. Brantford Energy Corporation also owns Brantford Hydro Inc. Transactions between Brantford Hydro Inc., Brantford Power Inc. and Brantford Energy Corporation occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

The Company has entered into a shared services agreement with The Corporation of the City of Brantford, whereby the City will provide administrative, support, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement.

10. PRUDENTIAL SUPPORT

Brantford Power is required, through the IMO, to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IMO could draw on this guarantee if Brantford Power fails to make a payment required by a default notice issued by the IMO. The maximum potential payment is the face value of the bank letters of credit. As at December 31 2003, the company provided prudential support in the form of bank letters of credit of \$15,008,750.

11. FINANCIAL INSTRUMENTS

Fair Value

The fair value of financial instruments such as cash and bank, accounts receivable, unbilled revenue and trade payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk

The Company's exposure to credit risk relates to its customer accounts receivable and unbilled revenue. The risk of significant credit loss is considered remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

12. LATE PAYMENT PENALTIES

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against The 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.

This claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electrical Distributors Association is undertaking the defence of this class action. At this time it is not possible to quantify the effect, if any, of this claim on the financial statements of the Company.

13. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified to conform to the current year's statement presentation.

BRANTFORD POWER INC.**SCHEDULE OF DIRECT EXPENSES**

For the year ended December 31	2003	2002
Operating and maintenance	1,374,971	1,567,449
Demand side management	56,703	101,029
Community relations and metering	460,713	422,180
Board expenses	57,017	84,274
Administration	570,968	472,317
Industry associations	46,911	90,466
Engineering	468,149	456,851
	3,035,432	3,194,566

SCHEDULE OF OTHER REVENUE

For the year ended December 31	2003	2002
Late payment charges	137,351	191,253
Interest and investment income	468,271	500,976
Connection fees	236,281	209,253
Property rental	99,166	128,204
Other revenue	3,208	49,966
Total Other Revenue	944,277	1,079,652

BRANTFORD POWER INC.

FINANCIAL STATEMENTS

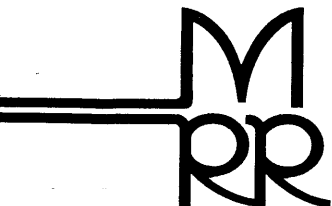
For the year ended December 31, 2004

BRANTFORD POWER INC.

For the year ended December 31, 2004

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Millard, Rouse & Rosebrugh LLP

Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

AUDITORS' REPORT

To the Shareholder of
Brantford Power Inc.

We have audited the statement of financial position of Brantford Power Inc. as at December 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

February 24, 2005

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	2004	2003
ASSETS		
Current Assets		
Cash and bank	6,026,565	7,495,713
Accounts receivable (Note 3)	4,396,427	4,294,593
Income taxes recoverable	72,572	22,394
Unbilled revenue	6,818,474	6,704,253
Inventories	1,494,728	1,252,418
Prepaid expenses	8,334	46,651
	18,817,100	19,816,022
Regulatory Assets (Note 4)	3,920,551	4,487,240
Property, Plant and Equipment (Note 5)	41,925,897	41,154,648
	64,663,548 ✓	65,457,910
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	9,694,520	11,013,307 ✓
Loan interest payable to The Corporation of the City of Brantford	4,354,050	4,354,050
Current portion of long term liabilities	380,000	380,000
	14,428,570	15,747,357
Long Term Liabilities (Note 6)	26,306,511	26,183,638
	40,735,081	41,930,995
SHAREHOLDERS' EQUITY		
Capital Stock (Note 7)	22,437,505	22,437,505
Retained Earnings	1,490,962	1,089,410
	23,928,467	23,526,915
	64,663,548	65,457,910

BRANTFORD POWER INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31	2004	2003
Distribution Revenue		
Gross service revenue	75,367,518	72,280,469
Unbilled revenue adjustment	114,221	(195,747)
Retail settlement variance accounts	345,645	1,364,411
	75,827,384	73,449,133
Cost of Power	64,497,368	62,453,328
Distribution Revenue - net	11,330,016	10,995,805
Direct Expenses (Page 11)	3,897,978	3,035,846
Gross Margin After Direct Expenses	7,432,038	7,959,959
Other Revenue (Page 11)	1,016,565	944,277
Indirect Expenses		
Billing and collecting	936,139	1,056,821
Administration and general	2,710,463	2,751,740
Amortization	2,157,977	1,969,970
Interest on long term liabilities	2,210,472	2,205,799
	8,015,051	7,984,330
Income Before Income Taxes	433,552	919,906
Provision for payments in lieu of taxes	(32,000)	(384,845)
Net Income	401,552	535,061
Retained Earnings - Beginning of Year	1,089,410	554,349
Retained Earnings - End of Year	1,490,962	1,089,410

See accompanying notes

BRANTFORD POWER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31	2004	2003
Cash Flows From Operating Activities		
Net income	401,552	535,061
Charges (credits) to income not involving cash		
Amortization	2,157,977	1,969,970
	2,559,529	2,505,031
Net change in non-cash working capital balances related to operations		
Accounts receivable	(101,834)	4,308,874
Income taxes recoverable	(50,178)	144,056
Unbilled revenue	(114,221)	195,747
Inventory	(242,310)	(312,522)
Prepaid expenses	38,317	(36,432)
Regulatory assets	566,689	849,889
Trade payable and accrued liabilities	(1,318,787)	(3,029,311)
Employee future benefits	52,733	84,165
	(1,169,591)	2,204,466
	1,389,938	4,709,497
Cash Flows From Financing Activities		
Long term liabilities	70,140	192,567
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(2,929,226)	(2,098,740)
Net Decrease in Cash and Cash Equivalents	(1,469,148)	2,803,324
Opening Cash and Cash Equivalents	7,495,713	4,692,389
Closing Cash and Cash Equivalents	6,026,565	7,495,713

See accompanying notes

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

NATURE OF ACTIVITIES

The Company provides electricity distribution services to residents of the City of Brantford. The Company is incorporated under the Ontario Business Corporations Act. The operations of the Company are regulated by the Ontario Energy Board and the Ministry of Energy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the Ontario Energy Board under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles.

(a) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgement.

(b) Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or replacement cost determined using a weighted average method.

(c) Property, Plant and Equipment and Amortization

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

Building	50 years	Distribution meters	25 years
Distribution stations	33 years	Load control units	10 years
Distribution lines - overhead	25 years	Vehicles	5 - 8 years
Distribution lines - underground	25 years	Tools	2 years
Distribution transformers	25 years		

(d) Payments in Lieu of Corporate Income Taxes

The Company provides for payments in lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. 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 Brantford Power Inc. at that time. As at December 31, 2004 future income tax liabilities of \$1,308,800, based on substantively enacted tax rates have not been recorded.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

(e) Regulatory Policies

The Company has adopted the following policies, as prescribed by the Ontario Energy Board (OEB) for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian generally accepted accounting principles for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provision of Article 490 on the OEB's Accounting Procedures handbook.
3. The Company provides for payments in lieu of corporate income taxes relating to its regulated business using the taxes payable method as directed by the OEB.

2. RATE SETTING

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator (IESO), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by Brantford Power Inc. and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 4.

3. ACCOUNTS RECEIVABLE	2004	2003
Accounts receivable	4,896,427	4,844,593
Less: Allowance for doubtful accounts	(500,000)	(550,000)
Net accounts receivable	4,396,427	4,294,593

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

4. REGULATORY ASSETS	2004	2003
Transition costs receivable	901,551	977,175
Retail settlement variance accounts	5,302,797	5,686,786
Deferred payments in lieu of taxes	(2,407,521)	(2,176,721)
Conservation and demand management	86,495	-
Other regulatory assets	37,229	-
Net regulatory assets	3,920,551	4,487,240

Transition costs receivable represent the incremental recoverable costs of preparing for the open electricity market.

The retail settlement variance accounts represent differences between charges billed to customers using the Ontario Energy Board approved fixed reference price and the actual costs billed to Brantford Power Inc. by the IESO. The estimates were approved by the OEB and are now being recovered as part of the Company's rate base.

Deferred payments in lieu of taxes represents the accumulated difference in the approved estimate of taxes to be paid and the actual taxes paid. The estimates were approved by the OEB and are being recovered as part of the Company's rate base. The estimated PILs true up for 2004 is a payable of \$92,000, (2003 - recovery of \$100,000). The true up has been recorded as part of the deferred payments in lieu of taxes and charged to income in 2004.

The conservation and demand management (CDM) represent costs incurred in order to fulfill the Company's CDM plan. These expenditures will be recovered through distribution rates commencing April 1, 2005.

Other regulatory assets represents costs passed on to the Company from the OEB and Hydro One in accordance with decisions made by the OEB.

On December 9, 2004, the OEB issued its decision on the Phase II recovery of various regulatory deferral accounts incurred prior to December 31, 2003, plus related interest. Regulatory asset amounts included in approved accounts that were recognized after December 31, 2003 have not yet been reviewed by the OEB. 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.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

5. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2004	2003
Land	52,064	-	52,064	52,064
Building	129,182	10,685	118,497	121,080
Distribution stations	140,683	19,375	121,308	125,992
Distribution lines - overhead	15,831,399	2,445,513	13,385,886	13,169,032
Distribution lines - underground	16,069,605	2,520,403	13,549,202	13,689,908
Distribution transformers	10,193,266	1,607,844	8,585,422	8,711,722
Distribution meters	5,113,746	771,940	4,341,806	4,163,227
Load control units	547,972	228,318	319,654	374,451
Vehicles	2,237,750	1,172,621	1,065,129	700,096
Tools	55,588	54,995	593	-
Work-in-progress				
- transformer station	386,336	-	386,336	47,076
	50,757,591	8,831,694	41,925,897	41,154,648

6. LONG TERM LIABILITIES	2004	2003
9% Note payable to The Corporation of the City of Brantford interest only payable annually - balance due February 1, 2006	24,189,168	24,189,168
Post employment benefit premiums	474,521	421,788
Customer deposits and interest	2,022,822	1,952,682
	26,686,511	26,563,638
Less: current portion	380,000	380,000
	26,306,511	26,183,638

The City of Brantford has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Corporation at a conversion ratio of \$100 per common share.

Estimated annual principal repayment requirements are as follows:

2005 - 380,000 2006 - 24,569,168 2007 - 380,000 2008 - 380,000 2009 - 380,000

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

7.	CAPITAL STOCK	2004	2003
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Authorized

unlimited number of common shares

Issued

1,001 common shares	22,437,505	22,437,505
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8.	POST-EMPLOYMENT BENEFIT PREMIUMS
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The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The following amounts have been recorded by the Company:

	2004	2003
Estimated liability relating to future benefit payments owing	474,521	421,788
Current benefit premiums paid	93,810	87,803

9.	RELATED PARTY TRANSACTIONS
----	-----------------------------------

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford. Brantford Energy Corporation also owns Brantford Hydro Inc. Transactions between Brantford Hydro Inc., Brantford Power Inc. and Brantford Energy Corporation occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

The Company has entered into a shared services agreement with The Corporation of the City of Brantford, whereby the City will provide administrative, support, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement.

10.	PRUDENTIAL SUPPORT
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Brantford Power is required, through the IESO, to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if Brantford Power 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. As at December 31, 2004, the Company provided prudential support in the form of bank letters of credit of \$15,008,750, (2003 - \$15,008,750).

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

11. FINANCIAL INSTRUMENTS

Fair Value

The fair value of financial instruments, such as cash and bank, accounts receivable, unbilled revenue and trade payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk

The company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The risk of significant credit loss is considered remote.

12. COMPARATIVE FIGURES

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

13. COMMITMENT

The Company is committed to the construction of a new transformer station. The station is a co-ownership project with Brant County Power Inc. The total cost of the project is anticipated to be \$9,400,000. The Company is responsible for 5/8ths of the costs.

14. LATE PAYMENT PENALTIES

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against The 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.

This claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electrical Distributors Association is undertaking the defence of this class action. At this time it is not possible to quantify the effect, if any, of this claim on the financial statements of the Company.

BRANTFORD POWER INC.

SCHEDULE OF DIRECT EXPENSES

For the year ended December 31	2004	2003
Operating and maintenance	2,199,097	1,374,971
Demand side management	28,276	56,703
Community relations and metering	609,810	460,713
Board expenses	71,206	67,946
Administration	553,755	560,453
Industry associations	86,485	46,911
Engineering	349,349	468,149
	3,897,978	3,035,846

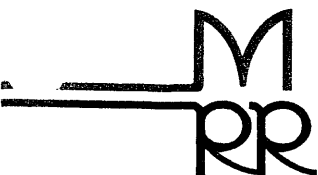
SCHEDULE OF OTHER REVENUE

For the year ended December 31	2004	2003
Late payment charges	140,729	236,516
Interest and investment income	508,668	468,271
Connection fees	124,572	112,765
Property rental	115,785	-
Other revenue	126,811	126,725
	1,016,565	944,277

BRANTFORD POWER INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2005



Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANTFORD POWER INC.

For the year ended December 31, 2005

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**BRANTFORD POWER INC.
MANAGEMENT REPORT
DECEMBER 31, 2005**

The accompanying financial statements are the responsibility of the management of Brantford Power Inc. In management's opinion, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by Millard, Rouse & Rosebrugh LLP, the external auditors of the Corporation. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian generally accepted accounting principles.

The board of directors, through the finance committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The finance committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The finance committee also reviews the financial statements and annual report and recommends their approval to the board of directors. Millard, Rouse & Rosebrugh LLP has full and free access to the finance committee, with and without the presence of management.

George Mychailenko, P.Eng, MBA
Chief Executive Officer
April 21, 2006

Brian D'Amboise, CA
Chief Financial Officer
April 21, 2006



Millard, Rouse & Rosebrugh LLP

Chartered Accountants
P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

AUDITORS' REPORT

To the Shareholder of
Brantford Power Inc.

We have audited the balance sheet of Brantford Power Inc. as at December 31, 2005 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

April 21, 2006

CHARTERED ACCOUNTANTS

BRANTFORD POWER INC.

BALANCE SHEET

As at December 31	2005	2004 (restated)
ASSETS		
Current Assets		
Cash and bank	6,147,766	4,383,743
Accounts receivable (Note 4)	3,454,197	4,396,427
Payments in lieu of corporate income taxes recoverable	-	72,572
Unbilled revenue	8,676,861	6,818,474
Inventories	1,700,546	1,494,728
Prepaid expenses	18,785	8,334
	19,998,155	17,174,278
Property, Plant and Equipment (Note 6)	50,682,058	41,925,900
Other Assets		
Regulatory Assets (Note 5)	5,184,718	5,365,004
Special deposits	1,433,156	1,642,822
Long term prepaid expenses	139,125	-
	77,437,212	66,108,004
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	12,969,801	7,822,958
Accounts payable to The Corporation of the City of Brantford	1,113,265	1,871,568
Loan interest payable to The Corporation of the City of Brantford	4,354,050	4,354,050
Payments in lieu of corporate income taxes payable	674,304	-
Current portion of customer deposits	380,000	380,000
	19,491,420	14,428,576
Long Term Debt (Note 7)	29,289,168	24,189,168
Other Liabilities		
Employee future benefits (Note 10)	491,850	503,521
Long term customer deposits	1,433,156	1,642,822
	50,705,594	40,764,087
SHAREHOLDERS' EQUITY		
Capital Stock (Note 9)	22,437,505	22,437,505
Retained Earnings	4,294,113	2,906,412
	26,731,618	25,343,917
	77,437,212	66,108,004

See accompanying notes

BRANTFORD POWER INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31	2005	2004 (restated)
Service Revenue		
Gross service revenue	89,214,761	75,598,318
Unbilled revenue adjustment	—1,858,387	114,221
Retail settlement variance adjustment	851,167	(167,195)
	91,924,315	75,545,344
Cost of Power	78,083,275	64,497,368
Net Distribution Revenue	13,841,040	11,047,976
Other Revenue (Page 16)	868,279	988,289
Expenses		
Direct operations, maintenance and administration (Page 16)	5,491,889	4,857,683
Indirect operations, maintenance and administration (Page 17)	2,227,993	2,618,808
Interest on promissory note - City of Brantford	2,177,025	2,177,025
Other financing expenses	112,523	102,260
Amortization	2,497,700	2,157,977
Write down of transition costs (Note 5)	163,975	-
	12,671,105	11,913,753
Income Before Payments in Lieu of Corporate Income Taxes	2,038,214	122,512
Provision for payments in lieu of corporate income taxes (Note 8)	(650,513)	(32,000)
Net Income	1,387,701	90,512
Retained Earnings - As Previously Reported	2,906,412	1,089,407
Prior period adjustments (Notes 1 & 2)	-	1,726,493
As Restated	2,906,412	2,815,900
Retained Earnings - End of Year	4,294,113	2,906,412

BRANTFORD POWER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31	2005	2004 (restated)
Cash Flows From Operating Activities		
Net Income	1,387,701	90,512
Charges (credits) to income not involving cash		
Amortization	2,497,700	2,157,977
	3,885,401	2,248,489
Net change in non-cash working capital balances related to operations		
Accounts receivable	942,230	(101,834)
Payments in lieu of corporate income taxes	746,876	(50,178)
Unbilled revenue	(1,858,387)	(114,221)
Inventory	(205,818)	(242,310)
Prepaid expenses	(149,576)	38,317
Special deposits	209,666	(70,140)
Trade payable and accrued liabilities	5,146,843	(1,716,541)
Accounts payable to The Corporation of the City of Brantford	(758,303)	397,754
Employee future benefits	(11,671)	81,733
Customer deposits	(209,666)	70,140
	3,852,194	(1,707,280)
	7,737,595	541,209
Cash Flows From Financing Activities		
Long term debt	5,100,000	-
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(6,042,720)	(2,542,890)
Acquisition and construction of Transformer Station	(5,211,138)	(386,336)
Net change in regulatory assets	180,286	848,729
	(11,073,572)	(2,080,497)
Net Increase in Cash and Cash Equivalents	1,764,023	(1,539,288)
Opening Cash and Cash Equivalents	4,383,743	5,923,031
Closing Cash and Cash Equivalents	6,147,766	4,383,743

See accompanying notes

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

NATURE OF ACTIVITIES

The company provides electricity distribution services to residents of the City of Brantford. The company is incorporated under the Ontario Business Corporations Act. The operations of the company are regulated by the Ontario Energy Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the Ontario Energy Board under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles.

(a) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgement.

(b) Inventories

Inventories consist of repair parts, supplies and materials and are valued at the lower of cost or replacement cost determined using a weighted average method.

(c) Property, Plant and Equipment and Amortization

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

Building	50 years	Distribution transformers	25 years
Transformer Station	40 years	Distribution meters	25 years
Distribution stations	33 years	Load control units	10 years
Distribution lines - overhead	25 years	Vehicles	5 - 8 years
Distribution lines - underground	25 years	Tools	2 years

(d) Payments in Lieu of Corporate Income Taxes

The company provides for payments in lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. 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 Brantford Power Inc. at that time. As at December 31, 2005 future income tax liabilities of \$1,858,121, based on substantively enacted tax rates have not been recorded.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Other Assets

Expenditures made which will benefit future periods are recorded as other assets and amortized using the straight-line method on the basis of the following period:

Long term prepaid expenses	10 years
Regulatory assets	no amortization
Special deposits	no amortization

(f) Revenue Recognition

Service revenue is recorded as revenue in the period to which it relates. Service revenue from the sale of electrical energy includes an estimated accrual for the variance component of the distribution rate based on the power supplied but not yet billed to customers from the last meter reading date to the year end. The impact of the year change in this estimated accrual is included in the statement of income and retained earnings as unbilled revenue adjustment.

(g) Customer Deposits

Customer deposits are cash collections from customers and retailers to guarantee the payment of electricity bills as prescribed by the Ontario Energy Board's Retail Settlement Code. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

(h) Regulatory Policies

The company has adopted the following policies, as prescribed by the Ontario Energy Board (OEB) for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian generally accepted accounting principles for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The company has deferred certain retail settlement variance amounts under the provision of Article 490 on the OEB's Accounting Procedures Handbook. The impact of the year end variance amount is included in the statement of income and retained earnings as retail settlement variance adjustment.
3. The company provides for payments in lieu of corporate income taxes relating to its regulated business using the taxes payable method as allowed by the OEB.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Change in Accounting Policies

The company has made the following changes to its accounting policies:

The company has decided to recognize as revenue the recovery of payments in lieu of taxes based on actual amounts collectable during the year. Previously, the company recorded as revenue the amount of PILs approved by the OEB to be recovered in the year plus an estimated accrual of the amount over or under collected. Any differences between the PILS recoveries incorporated into the approved rate order in effect for any given fiscal year and the final entitlement for such PILS recoveries, is recognized in the fiscal year when such true ups are reflected in subsequent distribution rate orders. The OEB have not yet determined the final disposition of such differences between the company's estimated PILS recovery entitlements in effect from time to time which are reflected in approved distribution rates and the actual entitlements. A future OEB decision on this matter could require the refund or collection of any over or under collections of PILS recoveries. The impact of such a disposition will be reflected in accordance with, and in the fiscal year where, the OEB issues any orders in this regard.

The company has decided to track the cost variances associated with providing services to retailers, as per OEB requirements. Previously, the company was recording these variances as revenues or expenses as they occurred.

The company has decided to record the post retirement benefits for the CEO. Previously, these benefits were not recorded as they were considered to be immaterial.

As a result of adopting these accounting policies on a retroactive basis, certain prior year's figures have been restated. An increase in net income of \$2,214,400 is applicable to fiscal years prior to December 31, 2004 and the balance of retained earnings at this date has been adjusted accordingly. An increase in net income of \$256,118 is applicable to the fiscal year ended December 31, 2004 and the comparative figures have been adjusted accordingly.

2. PRIOR PERIOD ADJUSTMENTS

The company has corrected an error in prior periods' accounting records. In 2003 and 2004, transformer allowances were incorrectly included in the calculation of regulatory assets. As a result of correcting this error on a retroactive basis, opening retained earnings and the prior year revenue figures have been restated. A decrease in net income of \$487,907 is applicable to fiscal years prior to December 31, 2004 and the balance of retained earnings at this date has been adjusted accordingly. A decrease in net income of \$567,157 is applicable to the fiscal year ended December 31, 2004 and the comparative figures have been adjusted accordingly.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

3. RATE SETTING

The rates of the company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the company purchases electricity from the Independent Electricity System Operator (IESO), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by Brantford Power Inc. and remitted to the IESO and the OEFC respectively. The company retains the distribution charge on the customer hydro invoices. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 5.

Brantford Power Inc.'s approved rate for distribution includes components for the recovery of regulatory assets. The approved rates for 2005 were calculated on a 1999 rate base and included a rate of return on equity of 9.88% based on a deemed capital structure of 50% debt and 50% equity. The approved return of 9.88% required the company to invest in conservation and demand management projects. The company has applied for a rate adjustment to be effective May 1, 2006. The new rates include a rate of return on equity of 9.00% based on a 2004 rate base and related deemed capital structure of 50% debt and 50% equity.

4. ACCOUNTS RECEIVABLE

	2005	2004 (restated)
Accounts receivable	3,954,197	4,896,427
Less: Allowance for doubtful accounts	(500,000)	(500,000)
Net accounts receivable	3,454,197	4,396,427

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

5. REGULATORY ASSETS	2005	2004 (restated)
Transition costs receivable	944,229	901,551
Pre-market opening energy variance	3,142,516	3,279,990
Retail settlement variance accounts	3,212,688	2,176,479
Retailer cost variance accounts	202,717	91,997
Conservation and demand management	-	86,495
Other regulatory assets	168,473	37,229
Regulatory assets recovered	(2,485,905)	(1,208,737)
Net regulatory assets	5,184,718	5,365,004
Regulatory assets changed as follows:		
Additions	1,011,756	87,913
Interest improvement	129,827	331,937
Recovery of regulatory assets	(1,157,894)	(1,268,579)
Write-down of transition costs	(163,975)	-
Net change in regulatory assets	(180,286)	(848,729)

Regulatory assets have been recorded in accordance with the OEB's Accounting Procedures Handbook or other OEB direction.

Transition costs receivable represent the incremental recoverable costs of preparing for the open electricity market.

The pre-market opening energy variance and the retail settlement variance accounts represent differences between charges billed to customers using the Ontario Energy Board approved fixed reference price and the actual costs billed to Brantford Power Inc. by the IESO.

Other regulatory assets represents costs passed on to the company from the OEB and Hydro One in accordance with decisions made by the OEB.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

5. REGULATORY ASSETS (Cont'd)

On December 9, 2004, the OEB issued its decision on the Phase II recovery of various regulatory deferral accounts incurred prior to December 31, 2003, plus related interest. As a result of the OEB's decision, the proportion of regulatory assets subject to potential OEB disallowance has been significantly reduced. The company elected to file a minimum review application for regulatory assets. This minimum review required a 10% write down of transition costs and consequently \$163,975 of transition costs were charged as an expense during the year. 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. In its 2006 rate application, the company has applied to recover/settle its 2004 regulatory assets over a two year period effective May 1, 2006.

All amounts recorded as regulatory assets are considered collectible, consequently no provision for uncollectible amounts is required.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2005	2004
Land	208,241	-	208,241	52,064
Building	1,192,568	34,537	1,158,031	118,497
Transformer station	4,137,447	103,436	4,034,011	-
Distribution stations	381,145	30,072	351,073	121,307
Distribution lines - overhead	17,341,055	3,139,155	14,201,900	13,385,888
Distribution lines - underground	19,473,382	3,299,339	16,174,043	13,549,202
Distribution transformers	10,740,844	2,037,478	8,703,366	8,585,422
Distribution meters	5,688,859	999,494	4,689,365	4,341,807
Load control units	547,972	283,116	264,856	319,654
Vehicles	2,237,750	1,373,762	863,988	1,065,129
Tools	62,190	29,006	33,184	594
Work-in-progress				
- transformer station	-	-	-	386,336
	62,011,453	11,329,395	50,682,058	41,925,900

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

7. LONG TERM DEBT	2005	2004
9% Note payable to The Corporation of the City of Brantford interest only payable annually - balance due February 1, 2006	24,189,168	24,189,168
Royal Bank demand loan with interest at prime, repayable over 15 years commencing upon conversion to term loan	5,100,000	-
	29,289,168	24,189,168

The City of Brantford has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Corporation at a conversion ratio of \$100 per common share.

Subsequent to December 31, 2005, the City of Brantford agreed to extend the maturity date of the promissory note from February 1, 2006 to February 1, 2011, with a 6.25% interest rate.

Subsequent to the year end, the company borrowed an additional \$800,000 against the Royal Bank demand loan and converted the \$5,900,000 demand loan to a term loan with a maturity date of January 31, 2009 and a fixed interest rate of 4.71%, repayable in quarterly payments of \$71,000 commencing April 30, 2007. The current portion of long term liabilities reflects the annual repayments required under the converted term loan..

On January 31, 2006 the company entered into a swap agreement with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by a general security agreement over all assets of the company and an assignment of relative fire insurance.

Estimated annual principal repayment requirements are as follows:

2007	-	217,000
2008	-	302,000
2009	-	4,581,000

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

8.	INCOME TAXES - CURRENT	2005	2004
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The income tax provision was calculated based on taxable income.

Taxable income is calculated as follows:

Income before income taxes	2,038,214	122,512
Tax effect of prior period adjustments	-	279,040
Amortization in excess of Capital Cost Allowance	130,684	180,263
Net change in regulatory assets	180,286	848,729
Gain on disposal of assets	-	(58,694)
Change in tax reserves	330,000	-
Prior year losses applied to reduce taxable income	(399,534)	(1,182,756)
Other additions and deductions	24,736	(189,094)

Taxable income	2,304,386	-
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Tax at 28.23% (inclusive of federal capital taxes)	650,513	32,000
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9.	CAPITAL STOCK	2005	2004
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Authorized

unlimited number of common shares

Issued

1,001 common shares	22,437,505	22,437,505
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10.	EMPLOYEE FUTURE BENEFITS
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The company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The following amounts have been recorded by the company:

	2005	2004
Estimated liability relating to future benefit payments owing	491,850	503,521
Current benefit premiums paid	109,011	93,810

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

11. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford. Brantford Energy Corporation also owns Brantford Hydro Inc. Transactions between Brantford Hydro Inc., Brantford Power Inc. and Brantford Energy Corporation occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

The company has entered into a shared services agreement with The Corporation of the City of Brantford, whereby the city will provide administrative, support, maintenance and operational services for the company. The exchange amount for these services has been set out in the agreement. Total charges from the City of Brantford under this shared services agreement were \$7,173,399 (2004 - \$7,656,005).

12. PRUDENTIAL SUPPORT

Brantford Power is required, through the IESO, to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if Brantford Power 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. As at December 31, 2005, the company provided prudential support in the form of bank letters of credit of \$12,511,472, (2004 - \$15,008,750).

13. FINANCIAL INSTRUMENTS

Fair Value

The fair value of financial instruments, such as cash and bank, accounts receivable, unbilled revenue and trade payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk

The company grants credit to its customers and retailers in the normal course of business and monitors their financial conditions and reviews the credit history of new customers. The company is currently holding customer deposits on hand in the amount of \$1,813,156 (2004 - \$2,022,822) which is reflected on the balance sheet. Allowances are also maintained for potential credit losses. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

BRANTFORD POWER INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

14.	INTEREST AND INCOME TAXES PAID	2005	2004
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During the year the company made the following payments:

Interest paid on note payable to the Corporation of the

City of Brantford

2,177,025

2,177,025

Interest paid on bank overdraft, operating loan,

and other long term debt

43,710

33,447

Payments in lieu of corporate income taxes

53,137

79,215

15.	COMPARATIVE FIGURES
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Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

16.	CONTINGENT LIABILITIES
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General Liability Insurance

The company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Members of MEARIE would be assessed, on a pro-rata basis, based on the total of their respective deposit premiums should losses be experienced by MEARIE, in excess of reserves and supplementary insurance, for the years in which the company was a member.

As at December 31, 2005, the company has not been made aware of any additional assessments. Participation in MEARIE covers a three year underwriting period which expires on January 1, 2007.

Late Payment Penalties

A class action has been brought under the *Class Proceedings Act, 1992*. The plaintiff class seeks \$500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the *Criminal Code*. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against 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 Consumers Gas, 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. Presently, a mediation process is underway to attempt to resolve the issue of the damages payable by Consumers Gas.

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.

BRANTFORD POWER INC.

SCHEDULE OF OTHER REVENUE

For the year ended December 31	2005	2004
Late payment charges	147,579	140,728
Interest and investment income	468,786	508,668
Connection fees	124,933	124,572
Property rental	71,141	115,785
Other revenue	55,840	98,536
	868,279	988,289

SCHEDULE OF DIRECT EXPENSES

For the year ended December 31	2005	2004
Operations and maintenance	2,031,733	1,945,358
Engineering	659,130	625,929
Community relations and metering	611,537	609,810
Conservation and demand management	274,801	-
Customer services	951,988	817,172
Bad debts	160,845	118,968
Board of directors	82,686	71,206
CEO / CFO office	238,405	252,783
Administration	254,845	206,159
Communications	23,910	25,383
Industry associations	79,568	86,485
Regulatory costs	122,441	98,430
	5,491,889	4,857,683

BRANTFORD POWER INC.

SCHEDULE OF INDIRECT EXPENSES

For the year ended December 31	2005	2004
Retiree benefits	94,341	155,923
Records management, mail, telephone & duplicating	63,555	64,203
Insurance and risk management	171,231	161,433
Treasury and accounting	368,797	429,598
Purchasing and dispatch	214,233	208,712
Management information systems	778,702	840,719
Property charges	305,163	198,909
Capital taxes	162,697	162,777
Stores / building	144,182	147,454
Vehicle garage / storage	50,578	36,110
Legal	50,248	48,832
Human resources	62,290	76,461
CAO office	29,154	28,630
Commissioner	10,832	24,843
Minor capital improvement	-	38,759
Brantford Energy Corp. management fees	147,657	130,835
Other	26,412	54,929
Inventory overhead recoveries	(452,079)	(190,320)
	2,227,993	2,618,808