Financial Statements of

NEWMARKET HYDRO LTD.

December 31, 2004

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Auditors' Report

To the Shareholder of
Newmarket Hydro Ltd.

We have audited the balance sheet of Newmarket Hydro Ltd. as at December 31, 2004 and the statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
May 13, 2005

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NEWMARKET HYDRO LTD.
Balance Sheet
December 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	**$ 11,379,731**	$ 14,033,357
Accounts receivable	**4,531,234**	4,391,403
Due from IESO	**-**	644,799
Unbilled revenue	**6,016,260**	5,101,094
Inventory	**862,954**	723,671
Prepaid expenses	**94,697**	127,268
	22,884,876	25,021,592
OTHER ASSETS		
Deferred charges	**19,492**	58,660
Regulatory Assets (Note 4)	**984,574**	733,484
Intangibles	**47,638**	79,888
Other assets	**8,848**	12,448
	1,060,552	884,480
CAPITAL ASSETS (Note 5)	**38,398,426**	36,627,179
	$ 62,343,854	$ 62,533,251
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	**$ 6,030,877**	$ 5,271,541
Income taxes payable	**299,448**	299,448
Deferred revenue	**774,362**	791,911
Current portion of customers' deposits	**900,000**	250,000
Current portion of developer payables and subdividers' lot levie	**52,586**	52,586
Due to related parties (Note 16)	**2,196,081**	4,395,025
	10,253,354	11,060,511
OTHER		
Customers' deposits	**2,190,679**	2,517,456
Employee future benefits (Note 6)	**514,043**	371,570
	2,704,722	2,889,026
LONG-TERM DEBT (Note 9)	**22,000,000**	22,000,000
	34,958,076	35,949,537
SHAREHOLDER'S EQUITY		
Share capital (Note 10)	**25,806,563**	25,806,563
Retained earnings	**1,579,215**	777,151
	27,385,778	26,583,714
	$ 62,343,854	$ 62,533,251

APPROVED BY THE BOARD

. . . . Director

. . . . Director

NEWMARKET HYDRO LTD.
Statement of Earnings and Retained Earnings
Year ended December 31, 2004

	2004	2003
SERVICE REVENUE		
Energy and distribution	**$ 57,539,288**	$ 54,858,396
COST OF POWER		
Purchased power	**45,564,723**	43,388,138
	11,974,565	11,470,258
OTHER INCOME		
Standard supply service administration charge	**86,547**	81,918
Retailer charges	**32,726**	29,957
Interest	**379,887**	396,304
Occupancy, connection and collection fees	**485,173**	358,326
Rentals	**54,308**	30,571
Miscellaneous	**51,119**	82,784
Net gain on disposal of capital assets	**70,936**	76,940
	1,160,696	1,056,800
OPERATING EXPENSES		
Amortization of capital assets, and intangibles net of $422,155 (2003 - $243,278) charged to other accounts	**3,203,750**	2,970,564
Amortization of contributions for capital construction	**(344,070)**	(291,042)
System operations and maintenance	**1,965,592**	1,761,433
Customer billing and collecting	**1,449,131**	1,708,251
Community relations and advertising	**37,655**	68,567
Administration	**3,458,654**	3,380,660
Interest	**1,769,882**	1,627,178
Property and capital tax	**231,561**	231,699
	11,772,155	11,457,310
INCOME BEFORE INCOME TAX	**1,363,106**	1,069,748
INCOME TAX (Note 11)	**561,042**	398,442
NET INCOME	**802,064**	671,306
RETAINED EARNINGS, BEGINNING OF YEAR	**777,151**	105,845
RETAINED EARNINGS , END OF YEAR	**$ 1,579,215**	$ 777,151

NEWMARKET HYDRO LTD.
Statement of Cash Flows
Year ended December 31, 2004

	2004	2003
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	**$ 802,064**	$ 671,306
Items not affecting cash		
Amortization of capital assets	**3,593,655**	3,213,842
Amortization of contributions for capital construction	**(344,070)**	(291,042)
Amortization of intangibles	**32,250**	32,244
Employee future benefits	**142,473**	92,400
Gain on disposal of capital assets	**(70,936)**	(76,940)
	4,155,436	3,641,810
Net change in non-cash working capital balances related to operations		
Accounts receivable	**(139,831)**	(301,292)
Due from IESO	**644,799**	1,047,777
Unbilled revenue	**(915,166)**	(422,774)
Inventory	**(139,283)**	(31,650)
Prepaid expenses	**32,571**	36,023
Accounts payable and accrued liabilities	**759,336**	213,939
Income taxes payable	**-**	290,800
Deferred revenue	**(17,549)**	1,253
	4,380,313	4,475,886
INVESTING		
Additions to capital assets (net of capital contributions)	**(5,020,832)**	(3,015,233)
Increase in regulatory assets	**(251,090)**	(319,794)
Proceeds from sale of capital assets	**70,936**	76,940
Decrease in other assets	**3,600**	3,600
Decrease (increase) in deferred charges	**39,168**	(27,211)
	(5,158,218)	(3,281,698)
FINANCING		
Increase in customers' deposits	**323,223**	399,268
Advance from related parties	**(2,198,944)**	684,681
	(1,875,721)	1,083,949
NET CASH (OUTFLOW) INFLOW	**(2,653,626)**	2,278,137
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**14,033,357**	11,755,220
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 11,379,731**	$ 14,033,357
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	**$ 1,341,159**	$ 1,627,178
Income taxes paid	**$ 779,800**	$ 268,052

1. NATURE OF OPERATIONS

Newmarket Hydro Ltd. (the Corporation) is a wholly-owned subsidiary of Newmarket Hydro Holdings Inc. and was incorporated April 10, 2000 under the laws of the Province of Ontario. The Corporation commenced operations on November 1, 2000. Newmarket Hydro Holdings Inc. is wholly-owned by the Town of Newmarket.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the Town of Newmarket under the license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and policies set forth in the Accounting Procedures Handbook issued by the OEB under the authority of the Ontario Energy Board Act, 1998:

Rate Setting

The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

In order to achieve a proper matching of revenue and expenses, the timing of recognition of certain revenue and expenses for the distribution of electricity, accounting policies may differ from that otherwise expected under Canadian generally accepted accounting principles for non-rate regulated enterprises. Specifically:

(i) Capital and operating costs incurred in respect of the transition to competitive markets have been deferred with amortization to commence on the date that a rate increase is implemented to offset the amortization of the transition costs.

(ii) The Corporation provides for amounts in lieu of corporate income taxes using the taxes payable method for its regulated activities as permitted by The Canadian Institute of Chartered Accountants (CICA) and as directed by the OEB.

(iii) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Inventory

Inventory consisting of repair parts, supplies and materials for maintenance and capital expansions is valued at the lower of cost (determined on a first-in, and first-out basis) and net realizable value.

(b) Capital Assets

Capital assets are stated at cost which is comprised of material, labour, charges for truck time plus overheads. Amortization is provided on the straight-line basis over the estimated service lives of the assets as summarized below:

Transmission and Distribution systems	25 to 30 years
Plant and equipment	10 to 15 years
Office equipment	3 to 10 years
Leasehold improvements	5 years
Contributed capital	25 to 30 years

The Corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of the long-lived assets is not recoverable. Any resulting impairment loss is recorded in the period in which the impairment occurs.

(c) Regulatory Assets

Under Bill 210, certain costs and variance account balances are deemed to be "regulatory assets" and are to be reflected in Local Distribution Company's balance sheet until the manner and timing of disposition is determined by the OEB. In November 2003, the Province announced its intention to permit electricity distributors to make applications to the OEB for recovery of the regulatory assets (based on year-end balances as at December 31, 2002) to be phased in over a four year period effective March 1, 2004. (See also Note 4).

The principle regulatory assets recorded by the Corporation are as follows:

(i) Deferred Qualifying Transition Costs

Deferred qualifying transition costs consist of qualifying capital costs and related expenditures incurred in the preparation for electricity market opening, May 1, 2002. Recovery of the deferred costs is regulated by the OEB.

(ii) Payments in Lieu of Income Taxes (PILs) Variance

Payments in Lieu of Income Taxes variance consists of the difference between the amount of PILs approved by the OEB for recovery through the rates and the actual amount of PILs collected from customers.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Regulatory Assets (continued)

(iii) Post-Market Opening Retail Transmission Variances

Transmission variances are amounts charged by the Independent Electricity Systems Operator ("IESO") for the operation of the transmission grid as compared to the amount billed to customers based on the OEB's approved rate.

(d) Deferred Charges

Deferred charges represent prepaid vehicle lease payments which are amortized over the life of the lease.

(e) Intangibles

Intangibles include corporate restructuring costs that are comprised principally of professional fees. Intangibles are stated at cost and amortized over five years.

(f) Contributions for Capital Construction

Contributions for capital construction consist of third party contributions toward the cost of constructing distribution assets. The third party contribution is calculated through an Economic Evaluation considering capital costs, future revenues and expenses as per the OEB Distribution System Code. They are accounted for as reductions to the cost of related capital assets and are amortized at rates corresponding with the useful lives of the related capital assets.

(g) Deferred Revenue

Deferred revenue represents amounts received from customers in advance of energy usage.

(h) Subdivider Lot Levies

Subdivider lot levies received prior to January 1, 2000 are recorded by the Corporation as liabilities until the funds are expended, at which time they are transferred to equity of the Corporation. Lot levies received on or after January 1, 2000 are transferred to contributions for capital construction upon being expended.

(i) Revenue Recognition

Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the period. The related cost of power is recorded on the basis of power billed by the Independent Electricity System Operator ("IESO").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Business Protection Plan Rebate

Consumers other than designated consumers who annually utilize more than 250,000 KWh continue to be eligible to receive rebates from the IESO to the extent that electricity prices exceed certain prescribed thresholds. The Corporation is required to pass these rebates through to eligible consumers and other market participants (i.e. retailers). The Corporation includes these rebate amounts due to consumers and market participants as a credit to the customers account or in accounts payable and accrued liabilities.

(k) Payments in Lieu of Income Taxes

Under the Electricity Act, 1998, the Corporation is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The Corporation uses the taxes payable method of accounting for income taxes. 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. Rate-regulated enterprises need not recognize future income taxes to the extent that future income taxes are expected to be included in the rates charged to and recovered from future customers.

Payments-in-lieu of income taxes are henceforth referred to as income taxes.

(l) Post-employment Benefits other than Pensions

Newmarket Hydro Ltd. pays certain health, dental and life insurance benefits on behalf of its retired employees. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services.

The transitional obligation resulting from the implementation of this policy in 2000 (applied on a prospective basis) is being amortized over the average remaining service period of employees (14 years).

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

3. CASH AND SHORT TERM INVESTMENTS

	2004	2003
Cash	**$ 8,491,281**	$ 11,030,632
Province of Saskatchewan Bond	**2,888,450**	3,002,725
	$ 11,379,731	$ 14,033,357

Cash and investments included above had a market value of $ 11,379,731 (2003 - $ 14,033,357) at the end of the year.

4. REGULATORY ASSETS

Regulatory assets can arise as a result of the rate-making process.

	2004	2003
Deferred qualifying transition costs	**$ 337,820**	$ 419,862
Payment in lieu of taxes variances	**(154,374)**	(87,177)
Post-market opening retail transmission variances	**801,128**	400,799
Regulatory assets	**$ 984,574**	$ 733,484

The Corporation has accumulated certain variance accounts representing purchase of power costs in excess of revenue billed to customers. The OEB regulates both the rates that can be charged to the Corporation and the rates that the Corporation can charge its customers.

For variances incurred since 2003, the Corporation believes that these variances will be recovered or refunded through future rates and have reflected these variance accounts as regulatory assets on the balance sheet. Management will continue to monitor these accounts on a regular basis and assess the likelihood of recovery from future rates.

Write-off of 2002 Variance Accounts

The balance of variance accounts as at December 31, 2002 in the amount of $2,713,020 was written off as management assessed the likelihood of future recovery to be low. This was in light of the implementation of Bill 210 and the lack of commitment by both the Ontario government and the OEB with respect to the future recovery of these variance accounts. On November 25, 2003 the Ontario government introduced Bill 4, the Ontario Energy Board Amendment Act, 2003. This Bill allowed Newmarket Hydro and all Local Distribution Companies in the Province of Ontario to recover these regulatory assets in their rates over four years, subject to an audit of these regulatory assets by the Ontario Energy Board. The amounts written off in 2002 will be recognized in revenue, when the amounts are billed via energy rates over a four year period beginning on April 1, 2004 or when recovery is more certain.

The amount recognized in energy rates and recorded in service revenue on the statement of earnings and retained earnings in 2004 is $574,663.

4. REGULATORY ASSETS (continued)

Write-off of 2002 Variance Accounts (continued)

The details relating to the variance accounts which were written off in 2002 are as follows:

	Paid to OPG or IESO	Revenue from Customers	Variance Account
Pre-market opening variances			
Cost of power variance	$ 15,890,354	$ (14,555,542)	$ 1,334,812
Post-market opening variances			
Energy variance	26,072,651	(26,072,651)	-
Wholesale market service variance	3,830,478	(2,831,784)	998,694
Transmission variance	4,899,028	(4,519,514)	379,514
	$ 50,692,511	$ (47,979,491)	$ 2,713,020

5. CAPITAL ASSETS

	2004			2003
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 1,208,633**	**$ -**	**$ 1,208,633**	$ 60,975
Transmission and distribution systems	**73,791,659**	**(31,249,160)**	**42,542,499**	41,629,563
Plant and equipment	**3,933,845**	**(2,267,363)**	**1,666,482**	1,039,379
Office equipment	**967,795**	**(626,443)**	**341,352**	227,217
Leasehold improvements	**330,256**	**(166,692)**	**163,564**	212,544
	80,232,188	**34,309,658**	**45,922,530**	43,169,678
Contributions for capital construction	**(8,588,162)**	**1,064,058**	**(7,524,104)**	(6,542,499)
	$ 71,644,026	**$ 33,245,600**	**$ 38,398,426**	$ 36,627,179

6. EMPLOYEE FUTURE BENEFITS

The accrued benefit obligation at December 31, 2004 and the net periodic expense for the year ended December 31, 2004 were determined by actuarial valuation. An actuarial valuation at December 31, 2004 determined the accrued benefit obligation to be $740,405 (2003 - $635,659).

Information about the employee future benefits is as follows:

	2004	2003
Accrued benefit obligation, end of year	**$ 740,405**	$ 635,659
Unamortized transitional obligation, end of year	**$ 226,362**	$ 264,089

	2004	2003
Estimated accrued benefit liability, beginning of year	**$ 371,570**	$ 279,170
Estimated expense for the year	**68,572**	69,221
Amortization of the transitional obligation	**37,727**	38,179
Actuarial loss for the year	**51,227**	-
Benefits paid during the year	**(15,053)**	(15,000)
Accrued benefits liability, end of year	**$ 514,043**	$ 371,570

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

General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed to be 2.1% in 2004 and thereafter.

Interest (Discount) Rate

The present value as at December 31, 2004 of the future benefits, and the expense for the twelve months ended December 31, 2004, were determined using a discount rate of 5.75%. This corresponds to the assumed CPI rate plus an assumed rate of return of 3.65%.

Salary Levels

Future general salary and wage levels were assumed to increase at 3% per annum.

Health Costs

Health costs were assumed to increase to 9% in 2005, graded down by 1% until 2008. Thereafter, health costs were assumed to be 5%.

Dental Costs

Dental costs were assumed to increase to 5% in 2005 and thereafter.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
Accounts payable - purchased power	$ 4,197,104	$ 3,778,157
Other accounts payable and accrued liabilities	1,833,773	1,493,384
	$ 6,030,877	$ 5,271,541

8. SHORT TERM CREDIT FACILITIES

(a) 364 Day Revolving Operating Loan

The Corporation has a $1,500,000 operating loan available from a major chartered bank. The purpose is to finance timing differences between deposit maturities, and existing debt and capital requirements, as necessary. This facility is a 364 day revolving operating loan, bearing interest at prime, to be repaid within one year from date of acceptance, unless extended by the bank. A standby fee of 10 basis points, payable quarterly in arrears applies to any unused portion of the facility. As at the balance sheet date, the Corporation has no balance outstanding on this facility (2003 – Nil). The operating loan includes restrictive clauses with respect to debt repayment.

(b) Prudential Requirements

Part 5.4 of the IESO Settlements Manual obligated the Corporation to secure prudential support in the amount of $5,406,833 before electricity market opening (May 1, 2002). The Corporation secured the necessary prudential support by means of a $8,505,000 Letter of Credit with a major chartered bank. The Letter of Credit includes restrictive clauses with respect to debt repayment.

9. LONG-TERM DEBT

The Corporation has an unsecured promissory note outstanding in the amount of $22,000,000 to the Town of Newmarket. The note bears interest at a simple annual rate equal to the rate of interest that the Corporation is, from time to time, permitted by the OEB to recover in its rates (currently 7.25% per annum). Interest is due on the last day of each fiscal year, on terms and at such time as may be further determined by the Director of Finance/Town Treasurer in consultation with senior corporate officers of the Corporation. Beginning in 2003, interest is paid quarterly in arrears. Determination of, and changes to, maturity and repayment terms require 13 months notice. The Promissory Note has been subordinated to the IESO Letter of Credit referred to in Note 8.

10. SHARE CAPITAL

		2004		2003
Authorized				
Unlimited number of common shares				
Issued				
1,001 common shares	**$**	**25,806,563**	$	25,806,563

11. INCOME TAXES

The Corporation became obligated to make payments-in-lieu of taxes on October 1, 2001.

The provision for income taxes under the taxes payable method (see Note 2(k)) for the year is $561,042 (2003 - $398,442).

Future income taxes have not been recorded in the accounts as they are expected to be recovered reflected through future distribution rates. As at December 31, 2004 future income tax assets of $3,664,477 (2003 - $3,508,473) have not been recorded on the balance sheet. Future income tax benefit of $156,004 (2003 –$447,781) has not been reflected in the income tax provision for the year ended December 31, 2004.

Significant components of the Corporation's future tax assets as at December 31 are as follows:

		2004		2003
Capital assets	**$**	**3,478,805**	$	3,374,262
Employee future benefits		**185,672**		134,211
Net future income tax asset	**$**	**3,664,477**	$	3,508,473

12. PENSION AGREEMENT

The Corporation makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay.

During 1998, a contribution holiday was declared by OMERS for the period August 31, 1998 to December 31, 2002. The contribution holiday was phased out starting in 2003 at which point contributions started at 2.1%; for 2004 contributions have been increased to 6% on contributory earnings up to 40,500 and 8.8% on contributory earnings above 40,500.

The amount contributed to OMERS for 2004 was $183,146 (2003- $ 52,290) for current service and is included as an expenditure on the Statement of Earnings and Retained Earnings.

13. LEGAL PROCEEDINGS

A class action claiming $500 million in restitutionary payments plus interest was served on Toronto Hydro Electric Commission on November 18, 1998. The action was initiated against Toronto Hydro as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario that have charged late payment charges on overdue utility bills at any time after April 1, 1981.

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

The Electricity Distributors Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Corporation, and as such no accrual of any potential liability has been recognized.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value

The fair values of the financial instruments included in the financial statements approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the long-term debt has not been calculated on the basis that the future terms of the promissory notes (Note 9) are indefinite.

Credit Risk

The Corporation provides credit to its customers in the normal course of business. The Corporation requires customer deposits and performs credit checks to mitigate any credit risk. Also, the Corporation provides services to a large customer base thereby diversifying its credit risk.

Interest Rate Risk

The Corporation has an unsecured promissory note outstanding with the interest rate subject to fluctuations based on mutual agreement between the related parties.

15. COMMITMENTS

The Corporation has a five-year lease agreement, which expires in 2006 with the Town of Newmarket for the rental of the 590 Steven Court building. The annual rent payments are $180,500, and are paid quarterly on the last day of the fiscal quarter.

16. RELATED PARTY TRANSACTIONS

The following summarizes the Corporation's related party transactions:

		2004		2003
Town of Newmarket				
Revenues				
Energy sales (at commercial rates)	**$**	**1,643,665**	$	1,371,747
Services				
Street light capital	**$**	**134,395**	$	289,757
Street lamp maintenance	**$**	**224,396**	$	224,396
Expenses				
Interest	**$**	**1,595,000**	$	1,595,000
Rent	**$**	**180,500**	$	180,500
Water bill	**$**	**1,055**	$	1,119
Donations	**$**	**1,500,000**	$	1,900,000
Municipal taxes	**$**	**81,560**	$	79,343
Reimbursement for seconded staff	**$**	**44,800**	$	-
Purchase of land	**$**	**1,064,200**	$	-
Newmarket Hydro Holdings Inc.				
Interest	**$**	**145,000**	$	-

The following summarizes the Corporation's related party balances:

		2004		2003
Town of Newmarket				
Long term debt (Note 9)	**$**	**22,000,000**	$	22,000,000
Town of Newmarket				
Accounts receivable	**$**	**278,514**	$	382,701
Accounts payable		**(1,453,210)**		(801,673)
Net payable		**(1,174,696)**		(418,972)
Newmarket Hydro Holdings Inc.				
Amounts due to Newmarket Hydro Holdings Inc.		**(1,021,385)**		(3,976,053)
Total due to related parties	**$**	**(2,196,081)**	$	(4,395,025)

17. GUARANTEES

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee. The Corporation's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

(a) The Corporation has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Corporation agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and/or officers of the Corporation for various items including, but not limited to, all costs to settle suits or actions due to association with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Corporation. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current financial statement presentation.