

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the Income Tax Act. This return may contain changes that had not yet become law at the time of printing. For more information on how to complete the return, see the *T2 Corporation – Income Tax Guide (T4012)*.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's tax year. For more information on when and how to file T2 returns, refer to the Guide under the heading "Before you start."

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Do not use this area

COPY

Identification

Business number (BN)001 86673 1649 RC 0001

Corporation's name
002Wasaga Distribution Inc.

Has the corporation changed its name since the last time we were notified?003☐ Yes☒ No

If Yes, do you have a copy of the articles of amendment?004☐ Yes☐ No

Address of head office
Has this address changed since the last time we were notified?010☐ Yes☒ No
(If Yes, complete lines 011 to 018)
011 950 River Road West
012
CityProvince, territory, or state
015 Wasaga Beach016 ON
Country (other than Canada)Postal code/Zip code
017018 L9Z 2K6

To which tax year does this return apply?
From 060 2004/01/01to 061 2004/12/31
Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year?063☐ Yes☒ No
If Yes, provide the date control was acquired065

Is the corporation a professional corporation that is a member of a partnership?067☐ Yes☒ No

Is this the first year of filing after:
Incorporation?070☐ Yes☒ No
Amalgamation?071☐ Yes☒ No
If Yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year?
If Yes, complete and attach Schedule 24072☐ Yes☒ No

Is this the final tax year before amalgamation?076☐ Yes☒ No

Is this the final return up to dissolution?078☐ Yes☒ No

Is the corporation a resident of Canada?080☒ Yes☐ No
If No, give the country of residence on line 081 and complete and attach Schedule 97.081
Is the non-resident corporation claiming an exemption under an income tax treaty?082☐ Yes☒ No
If Yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
0851☐ Exempt under paragraph 149(1)(e) or (l)
2☐ Exempt under paragraph 149(1)(j)
3☐ Exempt under paragraph 149(1)(t)
4☒ Exempt under other paragraphs of section 149

Mailing address (if different from head office address)
Has this address changed since the last time we were notified?020☒ Yes☐ No☒
(If Yes, complete lines 021 to 028)
021 c/o
022 950 River Road West
023
CityProvince, territory, or state
025 Wasaga Beach026 ON
Country (other than Canada)Postal code/Zip code
027028 L9Z 2K6

Location of books and records
Has the location of books and records changed since the last time we were notified?030☐ Yes☒ No
(If Yes, complete lines 031 to 038)
031 950 River Road West
032
CityProvince, territory, or state
035 Wasaga Beach036 ON
Country (other than Canada)Postal code/Zip code
037038 L9Z 2K6

040 Type of corporation at the end of the tax year
1☒ Canadian-controlled private corporation (CCPC)4☐ Corporation controlled by a public corporation
2☐ Other private corporation5☐ Other corporation (specify, below)
3☐ Public corporation
If the type of corporation changed during the tax year, provide the effective date of the change043

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Do not use this area

T2 E (06) GP25 - RETAIN ON FILE. DO NOT SUBMIT TO THE CRA.

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Attachments **APPENDIX 29****Financial statement information:** Use GIFI schedules 100, 125, and 141.**Schedules** - Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

| | Yes | Schedule |
|---|---|----------|
| Is the corporation related to any other corporations? | 150 <input checked="" type="checkbox"/> | 9 |
| Is the corporation an associated Canadian-controlled private corporation (CCPC)? | 160 <input checked="" type="checkbox"/> | 23 |
| Is the corporation an associated CCPC that is claiming the expenditure limit? | 161 <input type="checkbox"/> | 49 |
| Does the corporation have any non-resident shareholders? | 151 <input type="checkbox"/> | 19 |
| Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents | 162 <input type="checkbox"/> | 11 |
| If you answered Yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee? | 163 <input type="checkbox"/> | 44 |
| Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada? | 164 <input type="checkbox"/> | 14 |
| Is the corporation claiming a deduction for payments to a type of employee benefit plan? | 165 <input type="checkbox"/> | 15 |
| Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989? | 166 <input type="checkbox"/> | T5004 |
| Is the corporation a member of a partnership for which a partnership identification number has been assigned? | 167 <input type="checkbox"/> | T5013 |
| Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust? | 168 <input type="checkbox"/> | 22 |
| Did the corporation have any foreign affiliates during the year? | 169 <input type="checkbox"/> | 25 |
| Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ? | 170 <input type="checkbox"/> | 29 |
| Has the corporation had any non-arm's length transactions with a non-resident? | 171 <input type="checkbox"/> | T106 |
| For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares? | 173 <input checked="" type="checkbox"/> | 50 |
| Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year? | 172 <input type="checkbox"/> | ---- |
| Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes? | 201 <input checked="" type="checkbox"/> | 1 |
| Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; or gifts of cultural or ecological property? | 202 <input type="checkbox"/> | 2 |
| Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund? | 203 <input type="checkbox"/> | 3 |
| Is the corporation claiming any type of losses? | 204 <input type="checkbox"/> | 4 |
| Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction? | 205 <input type="checkbox"/> | 5 |
| Has the corporation realized any capital gains or incurred any capital losses during the tax year? | 206 <input type="checkbox"/> | 6 |
| i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return, b) a partnership, c) a foreign business, or d) a personal services business; or | | |
| ii) is the corporation claiming the refundable portion of Part I tax? | 207 <input type="checkbox"/> | 7 |
| Does the corporation have any property that is eligible for capital cost allowance? | 208 <input checked="" type="checkbox"/> | 8 |
| Does the corporation have any property that is eligible capital property? | 210 <input checked="" type="checkbox"/> | 10 |
| Does the corporation have any resource-related deductions? | 212 <input type="checkbox"/> | 12 |
| Is the corporation claiming reserves of any kind? | 213 <input type="checkbox"/> | 13 |
| Is the corporation claiming a patronage dividend deduction? | 216 <input type="checkbox"/> | 16 |
| Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction? | 217 <input type="checkbox"/> | 17 |
| Is the corporation an investment corporation or a mutual fund corporation? | 218 <input type="checkbox"/> | 18 |
| Was the corporation carrying on business in Canada as a non-resident corporation? | 220 <input type="checkbox"/> | 20 |
| Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits? | 221 <input type="checkbox"/> | 21 |
| Is the corporation a non-resident-owned investment corporation claiming an allowable refund? | 226 <input type="checkbox"/> | 26 * |
| Does the corporation have any Canadian manufacturing and processing profits? | 227 <input type="checkbox"/> | 27 |
| Is the corporation claiming an investment tax credit? | 231 <input type="checkbox"/> | 31 |
| Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures? | 232 <input type="checkbox"/> | T661 |
| Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000? | 233 <input type="checkbox"/> | 33/34/35 |
| Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax? | 236 <input type="checkbox"/> | 36 |
| Is the corporation claiming a surtax credit? | 237 <input type="checkbox"/> | 37 |
| Is the corporation subject to gross Part VI tax on capital of financial institutions? | 238 <input type="checkbox"/> | 38 |
| Is the corporation claiming a Part I tax credit? | 242 <input type="checkbox"/> | 42 |
| Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid? | 243 <input type="checkbox"/> | 43 |
| Is the corporation agreeing to a transfer of the liability for Part VI.1 tax? | 244 <input type="checkbox"/> | 45 |
| Is the corporation subject to Part II - Tobacco Manufacturers' surtax? | 249 <input type="checkbox"/> | 46 |
| For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax? | 250 <input type="checkbox"/> | 39 |
| Is the corporation claiming a Canadian film or video production tax credit refund? | 253 <input type="checkbox"/> | T1131 |
| Is the corporation claiming a film or video production services tax credit refund? | 254 <input type="checkbox"/> | T1177 |
| Is the corporation subject to Part XIII.1 tax? | 255 <input type="checkbox"/> | 92 * |

* We do not print this schedule.

Attachments - Continued from page 2

APPENDIX 29

Yes Schedule

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

Additional information

| | | | |
|--|-----|--------------------------------------|--|
| Is the corporation inactive? | 280 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| Has the major business activity changed since the last return was filed? (enter Yes for first-time filers) | 281 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| What is the corporation's major business activity? (Only complete if Yes was entered at line 281.) | 282 | | |
| If the major business activity involves the resale of goods, show whether it is wholesale or retail | 283 | 1 Wholesale <input type="checkbox"/> | 2 Retail <input type="checkbox"/> |
| Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents. | 284 | Distribution revenue | 285 100.000 % |
| | 286 | | 287 % |
| | 288 | | 289 % |
| Did the corporation immigrate to Canada during the tax year? | 291 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| Did the corporation emigrate from Canada during the tax year? | 292 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |

Taxable income

| | | | |
|---|-----|---------|---|
| Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL | 300 | 726,980 | A |
| Deduct: Charitable donations from Schedule 2 | 311 | | |
| Gifts to Canada, a province, or a territory from Schedule 2 | 312 | | |
| Cultural gifts from Schedule 2 | 313 | | |
| Ecological gifts from Schedule 2 | 314 | | |
| Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3 | 320 | | |
| Part VI.1 tax deduction from Schedule 43 * | 325 | | |
| Non-capital losses of preceding tax years from Schedule 4 | 331 | | |
| Net capital losses of preceding tax years from Schedule 4 | 332 | | |
| Restricted farm losses of preceding tax years from Schedule 4 | 333 | | |
| Farm losses of preceding tax years from Schedule 4 | 334 | | |
| Limited partnership losses of preceding tax years from Schedule 4 | 335 | | |
| Taxable capital gains or taxable dividends allocated from a central credit union | 340 | | |
| Prospector's and grubstaker's shares | 350 | | |
| Subtotal | | | B |
| Subtotal (amount A minus amount B) (if negative, enter "0") | | 726,980 | C |
| Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions | 355 | | D |
| Taxable income (amount C plus amount D) | 360 | 726,980 | |
| Income exempt under paragraph 149(1)(t) | 370 | | |
| Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370) | | | Z |

* This amount is equal to 3 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction**Canadian-controlled private corporations (CCPCs) throughout the tax year**Income from active business carried on in Canada from Schedule 7 **400** 726,980 **A**Taxable income from line 360 on page 3, **minus** 10/3 of the amount on line 632 on page 7, **minus** 3 times the amount on line 636 on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax **405** **B****Calculation of the business limit:**

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

| | | | | | |
|-------------|--|------------|---|----------------|----------|
| \$250,000 x | Number of days in the tax year in 2004 | <u>366</u> | = | <u>250,000</u> | 1 |
| | Number of days in the tax year | <u>366</u> | | | |

| | | | | | |
|-------------|--|------------|---|---------|----------|
| \$300,000 x | Number of days in the tax year in 2005 and in 2006 | <u></u> | = | <u></u> | 2 |
| | Number of days in the tax year | <u>366</u> | | | |

| | | | | | |
|-------------|---|------------|---|---------|----------|
| \$400,000 x | Number of days in the tax year after 2006 | <u></u> | = | <u></u> | 3 |
| | Number of days in the tax year | <u>366</u> | | | |

Add amounts at lines 1, 2, and 3 250,000 **4**Business limit (see notes 1 and 2 below) **410** **C****Notes:** 1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.

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

Business limit reduction:

| | | | | | | | | |
|----------|---------|---|------------|---|---------|---|---------|----------|
| Amount C | <u></u> | X | 415 | D | <u></u> | = | <u></u> | E |
| | | | | | 11,250 | | | |

Reduced business limit (amount C minus amount E) (if negative, enter "0") **425** 0 **F****Small business deduction** – 16% of whichever amount is the least: A, B, C, or F **430** 0 **G**

(enter amount G on line 9 of page 7)

Accelerated tax reduction**(For tax years ending before January 1, 2006)****Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction**Reduced business limit (amount from line 425) x = **a**Net active business income (amount from line 400)* **b**Taxable income from line 360 on page 3 **minus** 3 times the amount at line 636** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax **c****Deduct:**Aggregate investment income (amount from line 440 of page 6) **d**Amount c minus amount d (if negative, enter "0") **e**Amount a, b, or e above, whichever is less **f**Amount Z from Part 9 of Schedule 27 x 100 / 7 = **g**Amount QQ from Part 13 of Schedule 27 **h**Taxable resource income from line 435 on page 5 **i**Amount used to calculate the credit union deduction (amount e in Part 3 of Schedule 17) **j**Amount on line 400, 405, 410 or 425 of the small business deduction, whichever is less **k**Total of amounts g, h, i, j, and k **l**Amount f minus amount l (if negative, enter "0") **m****Accelerated tax reduction** - 7% of amount m **n**

(enter amount n on line 637 of page 7)

* If the amount at line 450 of Schedule 7 is positive, members of partnerships need to use Schedule 70 to calculate net active business income.

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

APPENDIX 28**Resource deduction**

| | | | |
|--|--|------------------|----------|
| Taxable resource income [as defined in subsection 125.11(1)] | | 435 | H |
| Amount H _____ x | Number of days in the taxation year in 2003 | | |
| | Number of days in the taxation year | 366 x 1% = _____ | I |
| Amount H _____ x | Number of days in the taxation year in 2004 | 366 | |
| | Number of days in the taxation year | 366 x 2% = _____ | J |
| Amount H _____ x | Number of days in the taxation year in 2005 | | |
| | Number of days in the taxation year | 366 x 3% = _____ | K |
| Amount H _____ x | Number of days in the taxation year in 2006 | | |
| | Number of days in the taxation year | 366 x 5% = _____ | L |
| Amount H _____ x | Number of days in the taxation year after 2006 | | |
| | Number of days in the taxation year | 366 x 7% = _____ | M |
| Resource deduction – total of amounts I, J, K, L, and M | | 438 | N |
| (enter amount N on line 10 of page 7) | | | |

General tax reduction for Canadian-controlled private corporations**Canadian-controlled private corporations throughout the tax year**

| | | | |
|---|-------------------------|----------|----------|
| Taxable income from line 360 page 3 | | | A |
| Amount Z from Part 9 of Schedule 27 | _____ x 100 / 7 = _____ | B | |
| Amount QQ from Part 13 of Schedule 27 | | C | |
| Taxable resource income from line 435 above | | D | |
| Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17) | | E | |
| Amount on line 400, 405, 410, or 425 on page 4, whichever is the least | | F | |
| Aggregate investment income from line 440 of page 6 | | G | |
| Amount used to calculate the accelerated tax reduction (amount m of page 4) | | | |
| | Subtotal | ► | H |
| Amount A minus amount H (if negative, enter "0") | | | I |
| General tax reduction for Canadian-controlled private corporations - Amount x 7% | | | J |
| (Enter amount J on line 638 of page 7) | | | |

General tax reduction

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

| | | | |
|---|-------------------------|----------|----------|
| Taxable income from line 360 on page 3 | | | M |
| Amount Z from Part 9 of Schedule 27 | _____ x 100 / 7 = _____ | N | |
| Amount QQ from Part 13 of Schedule 27 | | O | |
| Taxable resource income from line 435 above | | P | |
| Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17) | | Q | |
| Total of amounts N, O, P, and Q | | ► | R |
| Amount M minus amount R (if negative, enter "0") | | | S |
| General tax reduction - Amount S x 7% | | | T |
| (enter amount T on line 639 of page 7) | | | |

APPENDIX 29

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income 440 X 26 2/3 % = A

(Amount O from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632 on page 7

Deduct:

Foreign investment income 445 X 9 1/3 % = B

(Amount L from Part 2 of Schedule 7) (if negative, enter "0")

Amount A minus amount B (if negative, enter "0") C

Taxable income from line 360 on page 3 726,980

Deduct:

Amount on line 400, 405, 410, or 425 on page 4, whichever is the least

Foreign non-business income tax credit from line 632 of page 7 x 25/9 =

Foreign business income tax credit from line 636 of page 7 x 3 =

726,980 X 26 2/3% = 193,861 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780 on page 8)

Deduct: Corporate surtax from line 600 of page 7

Net amount E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least 450 0 F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding tax year 460

Deduct: Dividend refund for the previous tax year 465 G

Add the total of:

Refundable portion of Part I tax from line 450 above

Total Part IV tax payable from line 360 on page 2 of Schedule 3

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation 480 H

Refundable dividend tax on hand at the end of the tax year - Amount G plus amount H 485 0

Dividend refund

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

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3 X 1/3 I

Refundable dividend tax on hand at the end of the tax year from line 485 above J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 of page 8) 0

Part I tax APPENDIX 29**Base amount of Part I tax** - 38% of taxable income (line 360 or amount Z, whichever applies)

from page 3 550 0 A

Corporate surtax calculation

Base amount from line A above 1

Deduct:

10% of taxable income (line 360 or amount Z, whichever applies) from page 3 72,698 2

Investment corporation deduction from line 620 below 3

Federal logging tax credit from line 640 below 4

Federal qualifying environment trust tax credit from line 648 below 5

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

28% of taxable income from line 360 on page 3 a

28% of taxed capital gains b 6

Part I tax otherwise payable c

(line A **plus** line C and D **minus** line F)

Total of lines 2 to 6 72,698 7

Net amount (line 1 minus line 7) 8

Corporate surtax - 4% of the amount on line 8 600 B

Recapture of investment tax credit from line III in Part 24 of Schedule 31 602 C

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

Aggregate investment income from line 440 on page 6 i

Taxable income from line 360 on page 3 726,980

Deduct:Amount on line 400, 405, 410, or 425 of page 4,
whichever is the least

Net amount 726,980 ▶ 726,980 ii

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

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

Deduct:

Small business deduction from line 430 on page 4 9

Federal tax abatement 608

Manufacturing and processing profits deduction from amount BB or amount RR of Schedule 27 616

Investment corporation deduction 620

(taxed capital gains 624)

Additional deduction - credit unions from Schedule 17 628

Federal foreign non-business income tax credit from Schedule 21 632

Federal foreign business income tax credit from Schedule 21 636

Accelerated tax reduction from amount n of page 4 637

Resource deduction from line 438 of page 5 10

General tax reduction for CCPCs from amount J on page 5 638

General tax reduction from amount T on page 5 639

Federal logging tax credit from Schedule 21 640

Federal political contribution tax credit 644

Federal political contributions 646

Federal qualifying environmental trust tax credit 648

Investment tax credit from Schedule 31 652

Apprenticeship Job Creation Tax Credit (Applicable for salaries and wages paid to qualifying apprentices on or after May 2, 2006)

Subtotal ▶ F

Part I tax payable - Line E **minus** line F (enter amount G on line 700 of page 8) 0 G

Summary of tax and credits

APPENDIX 29

Federal tax

| | | |
|--|-----|---|
| Part I tax payable from page 7 | 700 | |
| Part I.3 tax payable from Schedule 33, 34, or 35 | 704 | |
| Part II surtax tax payable from Schedule 46 | 708 | |
| Part IV tax payable from Schedule 3 | 712 | |
| Part IV.1 tax payable from Schedule 43 | 716 | |
| Part VI tax payable from Schedule 38 | 720 | |
| Part VI.1 tax payable from Schedule 43 | 724 | |
| Part XIII.1 tax payable from Schedule 92 | 727 | |
| Part XIV tax payable from Schedule 20 | 728 | |
| Total federal tax | | 0 |

Add provincial and territorial tax:

| | | |
|--|-----|-----|
| Provincial or territorial jurisdiction | 750 | ON |
| (if more than one jurisdiction, enter "multiple" and complete Schedule 5) | | |
| Net provincial or territorial tax payable (except Quebec, Ontario and Alberta) | 760 | |
| Provincial tax on large corporations (New Brunswick and Nova Scotia) | 765 | |
| Total tax payable | 770 | 0 A |

Deduct other credits:

| | | |
|---|-----|--|
| Investment tax credit refund from Schedule 31 | 780 | |
| Dividend refund from page 6 | 784 | |
| Federal capital gains refund from Schedule 18 | 788 | |
| Federal qualifying environmental trust tax credit refund | 792 | |
| Canadian film or video production tax credit refund (Form T1131) | 796 | |
| Film or video production services tax credit refund (Form T1177) | 797 | |
| Tax withheld at source | 800 | |
| Total payments on which tax has been withheld | 801 | |
| Allowable refund for non-resident-owned investment corporations - Schedule 26 | 804 | |
| Provincial and territorial capital gains refund from Schedule 18 | 808 | |
| Provincial and territorial refundable tax credits from Schedule 5 | 812 | |
| Tax instalments paid | 840 | |
| Total credits | 890 | |

Refund Code 894 ☐ Overpayment ☐ Balance (line A minus line B) 0 B

Direct Deposit Request

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

☐ Start ☐ Change information 910 ☐ Branch number

914 ☐ Institution number 918 ☐ Account number

If the result is negative, you have an **overpayment**.

If the result is positive, you have a **balance unpaid**.

Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid ☐

Enclosed payment 898 ☐

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

896 1 Yes ☐ 2 No ☒ NA ☐

Certification

950 Lalonde 951 Michael 954 Manager

Surname First name Position, office or rank

955 2007/08/08 956 (705) 429-2517

Date Telephone number

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

958 ☐ Name 959 () - Telephone number

Language of correspondence - Langue de correspondance

990 Language of choice/Langue de choix 1 English / Anglais ☒ 2 Français / French ☐



NET INCOME (LOSS) FOR INCOME TAX PURPOSES

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes.

Net income (loss) after taxes and extraordinary items per financial statements A 322,795

Add:

| | | | |
|--|-----|---------|------------------|
| Provision for income taxes - current | 101 | 255,129 | |
| Amortization of tangible assets | 104 | 553,977 | |
| Income/loss for tax purposes - joint ventures/partnerships | 109 | 1,522 | |
| Total of fields 101 to 199 | 500 | 810,628 | ▶ <u>810,628</u> |

Deduct:

| | | | |
|---|-----|---------|------------------|
| Capital cost allowance - Schedule 8 | 403 | 369,223 | |
| Cumulative eligible capital deduction - Schedule 10 | 405 | 1,369 | |
| Total of fields 300 to 394 | 499 | 35,851 | |
| Total of fields 401 to 499 | 510 | 406,443 | ▶ <u>406,443</u> |

Net income (loss) for income tax purposes (enter on line 300 of the T2 return) 726,980

Deduct:

Other deductions:

| | | | |
|--|-----|--------|----------------------|
| 700 Amortization Of Contributions In Aid Of Construction | 390 | 35,851 | |
| Total of fields 300 to 394 (Enter this amount at line 499) | | 35,851 | <u><u>35,851</u></u> |



Canada Revenue
Agency

Agence du revenu
du Canada

CAPITAL COST ALLOWANCE

Schedule 8

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

| 1 Class | 2 UCC at start of year | 3 Cost of additions in the year | 4 Net adjustments | 5 Proceeds of dispositions in the year | 7 Adjustment for additions (1/2 x (col 3 - 5)) | 8 Base amount for CCA | 9 Rate % | 10 CCA for the year (col 8 x 9 or a lower amount) | 11 Recapture of CCA | 12 Terminal loss | 13 UCC at the end of the year |
|------------|------------------------------|--|----------------------|---|---|-----------------------------|----------------|--|---------------------------|---------------------|-------------------------------------|
| 200 | 201 | 203 | 205 | 207 | 211 | | 212 | 217 | 213 | 215 | 220 |
| 1 | 788,004 | 10,980 | | | 5,490 | 793,494 | 4 | 31,740 | | | 767,244 |
| 1 | 7,914,013 | 1,046,121 | | | 523,061 | 8,437,073 | 4 | 337,483 | | | 8,622,661 |
| | | | | | | | | | | | |
| Totals | 8,702,017 | 1,057,101 | | | 528,551 | 9,230,567 | | 369,223 | | | 9,389,895 |



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

RELATED AND ASSOCIATED CORPORATIONS

Schedule 9

This form is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporation(s)

APPENDIX 29

| Name | Country (if not Canada) | Business # (Canadian corporation only) | Code note 1 | Common shares | | Preferred shares | | Book value of capital stock |
|--|-------------------------------|--|----------------|---------------|---------|------------------|---------|--------------------------------|
| | | | | # owned | % owned | # owned | % owned | |
| Wasaga Resource Services Inc. 100 | 200 | 300 | 400 | 500 | 550 | 600 | 650 | 700 |
| Geosands Inc. | | 86758 4724 RC 0001 | 3 | | | | | |
| Wasaga Genco Inc. | | 86673 1441 RC 0001 | 1 | 100 | 100.000 | | | 2,745,596 |
| The Corporation of the Town of Wasaga Beach | | NR | 3 | | | | | |
| Note 1 : Enter the code number of the relationship that applies: 1- Parent 2 - Subsidiary 3 - Associated 4 - Related, but not associated | | 10810 1577 RC 0001 | 4 | | | | | 100 |

| Assets | Code | Current year | Prior year |
|--|------|--------------|-------------|
| Cash and deposits | 1000 | | |
| Accounts Receivable | 1060 | 1,886,069 | 1,567,734 |
| Due from / investment in related parties | 1400 | | 725,961 |
| Other current assets | 1480 | (440,808) | (51,346) |
| Taxes recoverable / refundable | 1483 | 85,622 | |
| Land | 1600 | 508,716 | 447,420 |
| Buildings | 1680 | 982,607 | 971,626 |
| Machinery, equipment, furniture and fixtures | 1740 | 15,075,583 | 14,030,160 |
| Accumulated amortization of machinery, equipment, furniture and fixtures | 1741 | (7,493,314) | (6,939,338) |
| Other tangible capital assets | 1900 | (859,656) | (748,891) |
| Accumulated amortization of other tangible capital assets | 1901 | (3,634) | (3,634) |
| Other long term assets | 2420 | 441,961 | 30,788 |
| | | | |
| Total assets | 2599 | 10,183,146 | 10,030,480 |

| Liabilities | Code | Current year | Prior year |
|---|------|--------------|------------|
| Bank overdraft | 2600 | | |
| Amounts payable and accrued liabilities | 2620 | 289,887 | 196,821 |
| Taxes payable | 2680 | | 316,450 |
| Due to related parties | 2860 | 20,797 | |
| Other current liabilities | 2960 | 32,456 | |
| Due to related parties | 3300 | 3,593,269 | 3,593,269 |
| | | | |
| Total liabilities | 3499 | 3,936,409 | 4,106,540 |

| Equity | Code | Current year | Prior year |
|-------------------------------|------|--------------|------------|
| Common shares | 3500 | 100 | 100 |
| Contributed and other surplus | 3540 | 5,232,969 | 5,232,969 |
| | | | |
| Retained earnings / deficit | 3600 | 1,013,668 | 690,871 |
| Total equity | 3620 | 6,246,737 | 5,923,940 |
| Total liabilities and equity | 3640 | 10,183,146 | 10,030,480 |

| Retained earnings | Code | Current year | Prior year |
|---------------------------------|------|--------------|------------|
| Retained earnings/deficit-start | 3660 | 690,873 | 168,074 |
| Net income / loss | 3680 | 322,795 | 522,797 |
| | | | |
| Total retained earnings | 3849 | 1,013,668 | 690,871 |

Details

Operating name, if different from the corporations' legal name

0001

Description of operation, if filing multiple Schedules 125

0002

| Revenue | Code | Current year | Prior year |
|-----------------------------------|------|--------------|------------|
| Trade sales of goods and services | 8000 | 9,897,888 | 8,698,261 |
| Total sales of goods and services | 8089 | 9,897,888 | 8,698,261 |
| Investment revenue | 8090 | 23,370 | 112,826 |
| Other revenue | 8230 | 36,041 | 31,358 |
| Total revenue | 8299 | 9,957,299 | 8,842,445 |

| Cost of sales | Code | Current year | Prior year |
|---|------|--------------|------------|
| Opening inventory | 8300 | | |
| Purchases / cost of materials | 8320 | 7,001,864 | 6,085,829 |
| Direct wages | 8340 | 3,660 | |
| Other direct costs | 8450 | 1,830 | |
| Cost of sales | 8518 | 7,007,354 | 6,085,829 |
| Gross profit / loss (item 8089 - item 8518) | 8519 | 2,890,534 | 2,612,432 |

| Operating expenses | Code | Current year | Prior year |
|---------------------------------|------|--------------|------------|
| Advertising and promotion | 8520 | 125,604 | 34,662 |
| Amortization of tangible assets | 8670 | 553,977 | 512,636 |
| Interest and bank charges | 8710 | 260,347 | 172,303 |
| Repairs and maintenance | 8960 | 271 | |
| Salaries and wages | 9060 | 39,350 | 43,588 |
| Sub-contracts | 9110 | 17,030 | 50,589 |
| Other expenses | 9270 | 1,375,442 | 1,095,713 |
| Total operating expenses | 9367 | 2,372,021 | 1,909,491 |
| Total expenses | 9368 | 9,379,375 | 7,995,320 |
| Net non-farming income | 9369 | 577,924 | 847,125 |

| Farming revenue | Code | Current year | Prior year |
|---------------------|------|--------------|------------|
| Grains and oilseeds | 9370 | | |
| Total farm revenue | 9659 | | |

| Farming expenses | Code | Current year | Prior year |
|--|------|--------------|------------|
| Crop expenses | 9660 | | |
| Total farm expenses | 9898 | | |
| Net farm income | 9899 | | |
| Net income / loss before taxes and extraordinary items | 9970 | 577,924 | 847,125 |

Summary

Complete this section if only one Schedule 125 is filed, Schedule 140 is used to summarize the information from multiple Schedules 125.

| | | | |
|---|--------|---------|---------|
| Extraordinary items | 9975 - | - | |
| Legal settlements | 9976 - | - | |
| Unrealized gains / losses | 9980 + | + | |
| Unusual items | 9985 - | - | |
| Current income taxes | 9990 - | 255,129 | 324,328 |
| Future income tax provision | 9995 - | - | |
| Net income / loss after taxes and extraordinary items | 9999 = | 322,795 | 522,797 |

Income statement summary

Schedule 140 is used to summarize the information from multiple Schedules 125.

| | Current year | | Prior year |
|--|--------------|---------|------------|
| | 9970 | 577,924 | 847,125 |
| Net income/loss before taxes and extraordinary items | 9970 | | |
| Extraordinary items | 9975 | - | - |
| Legal settlements | 9976 | - | - |
| Unrealized gains/losses | 9980 | + | + |
| Unusual items | 9985 | - | - |
| Current income taxes | 9990 | - | - |
| Future income tax provision | 9995 | - | - |
| Net income/loss after taxes and extraordinary items | 9999 | = | = |



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

Part 1 – Accounting practitioner informationDoes the accounting practitioner have a professional designation? **095** ☒ Yes ☐ NoIs the accounting practitioner connected* with the corporation? **097** ☒ Yes ☐ No

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

Note

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

Part 2 – Type of involvementChoose the option that represents the highest level of involvement of the accounting practitioner: **198**Completed an auditor's report **1** ☒Completed a review engagement report **2** ☐Conducted a compilation engagement **3** ☐**Part 3 – Reservations**If you selected option "1" or "2" under **Type of involvement** above, answer the following question:Has the accounting practitioner expressed a reservation? **099** ☐ Yes ☒ No**Part 4 – Other information**Were notes to the financial statements prepared? **101** ☒ Yes ☐ No

If Yes, complete lines 102 to 107 below:

Are any values presented at other than cost? **102** ☐ Yes ☒ NoHas there been a change in accounting policies since the last return? **103** ☐ Yes ☒ NoAre subsequent events mentioned in the notes? **104** ☐ Yes ☒ NoIs re-evaluation of asset information mentioned in the notes? **105** ☐ Yes ☒ NoIs contingent liability mentioned in the notes? **106** ☒ Yes ☐ NoIs information regarding commitments mentioned in the notes? **107** ☐ Yes ☒ NoDoes the corporation have investments in joint venture(s) or partnership(s)? **108** ☐ Yes ☒ No

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? **109** ☐ Yes ☐ No



Use this form to consent to the release of confidential information about your Business Number (BN) account(s) to the representative named below, or to cancel consent for an existing representative.

- Complete Parts 1, 2, and 5 to name a representative.
- Complete Parts 3, 4, and 5 to cancel consent for an existing representative.
- Complete all parts of this form if you want to both name a new representative and cancel consent for an existing representative.

If you have questions, such as where to send this form, call us at 1-800-959-5525.

Part 1 – Consent to release of information to a representative

Client's name: Wasaga Distribution Inc.

Business Number: 866731649

I consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Gaviller & Company LLP

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name.

(705) 445-2020

(705) 444-5833

Representative's telephone number

Representative's fax number

Part 2 – Details of consent

A. Which accounts?

I request that this consent apply to all accounts. ☒ OR

I request that this consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to authorize access to more than one account of the same type, for example RP0002 and RP0003, please print the account numbers in the spaces provided.)

| | | | |
|----------------------|---------------------------------|----------|----------|
| Corporate income tax | RC0001 <input type="checkbox"/> | RC _____ | RC _____ |
| GST/HST | RT0001 <input type="checkbox"/> | RT _____ | RT _____ |
| Payroll deductions | RP0001 <input type="checkbox"/> | RP _____ | RP _____ |
| Import/Export | RM0001 <input type="checkbox"/> | RM _____ | RM _____ |

B. Which years?

I request that this consent apply to all years. ☒ OR

I request that this consent apply only to the following years:

1. All year-ends up to:
2. All year-ends beginning in: and all years after that.
3. The following year-ends only:

Part 3 – Cancellation of consent to release of information to a representativeClient's name: Wasaga Distribution Inc.Business Number: 866731649I cancel all previous consents for all representatives. ☐ OR

I cancel my consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

If you named a firm as your representative, and you want to cancel the consent for a particular individual of that firm, enter that individual's first and last name.

() -

Representative's telephone number

() -

Representative's fax number

Part 4 – Details of cancellation of consent**A. Which accounts?**I request that this cancellation of consent apply to all accounts. ☐ OR

I request that this cancellation of consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to cancel access to more than one account of the same type, for example RP0002 and RP0003, please print the account numbers in the spaces provided.)

| | | | |
|----------------------|---------------------------------|----------|----------|
| Corporate income tax | RC0001 <input type="checkbox"/> | RC _____ | RC _____ |
| GST/HST | RT0001 <input type="checkbox"/> | RT _____ | RT _____ |
| Payroll deductions | RP0001 <input type="checkbox"/> | RP _____ | RP _____ |
| Import/Export | RM0001 <input type="checkbox"/> | RM _____ | RM _____ |

B. Which years?I request that this consent apply to all years. ☐ OR

I request that this consent apply only to the following years:

1. All year-ends up to: _____
2. All year-ends beginning in: _____ and all years after that.
3. The following year-ends only: _____

Part 5 – SignaturePrint your name Michael LalondeTitle Manager

This form must be signed by an owner, partner, director, trustee, or officer.

Sign here ► _____

Date 2007/08/08

TaxPaid

APPENDIX 29

Tax instalments paid

| Jurisdiction | Description | Date | Amount |
|--------------|-------------|------|---------|
| Ontario | | | 333,240 |
| Federal | | | |
| Total | | | 333,240 |

* Enter Québec instalments paid on form CO-1027.VE

Summary by jurisdiction

| | | | |
|------------------|--|----------|---------|
| Federal | | Manitoba | |
| British Columbia | | Ontario | 333,240 |
| Alberta | | | |
| Saskatchewan | | | |

Related and Associated Corporations Summary

| | | Corporation #1 | Corporation #2 | Corporation #3 | Total |
|--------------------------|---|--------------------------|-------------------------------|--------------------|-------------|
| Corporation name | | Wasaga Distribution Inc. | Wasaga Resource Services Inc. | Geosands Inc. | |
| Business number | | 86673 1649 RC 0001 | 86758 4724 RC 0001 | 86673 1441 RC 0001 | |
| Taxation year end | | 2004/12/31 | 2004/12/31 | 2004/12/31 | |
| Federal | | | | | |
| Schedule 9 | # of common shares owned | | | 100 | 100 |
| | % of common shares owned | | | 100.000 | 100.000 |
| | # of preferred shares owned | | | | |
| | % of preferred shares owned | | | | |
| | Book value of capital stock | | | 2,745,596 | 2,745,696 |
| Schedule 23 | Business limit (before allocation) | 250,000 | 250,000 | 250,000 | 1,250,000 |
| | % of the business limit | 100.000 | | | 100.000 |
| | Allocation of the business limit | 250,000 | | | 250,000 |
| Schedule 49 | Allocation of SR&ED expenditure limit | | | | |
| Capital tax | | | | | |
| Schedule 36 | Allocation of capital deduction | 50,000,000 | | | 50,000,000 |
| Schedule 39 | Allocation of capital deduction | 200,000,000 | | | 200,000,000 |
| Schedule 343 | Allocation of capital deduction | 5,000,000 | | | 5,000,000 |
| Schedule 362 | Allocation of capital deduction | 5,000,000 | | | 5,000,000 |
| Alberta | | | | | |
| AT1 Schedule 1 | % of business limit | 100.000 | | | 100.000 |
| | Allocation of the base amount | 200,000 | | | 200,000 |
| AT1 Schedule 6 | Allocation of Crown royalty shelter | 2,000,000 | | | 2,000,000 |
| Ontario | | | | | |
| OMinimum | Total assets | 10,183,146 | 5,826,007 | 2,745,596 | 18,754,849 |
| | Total revenue | 9,957,299 | 1,749,630 | | 11,706,929 |
| OSurtax | Taxable income | 726,980 | 496,338 | | 1,223,318 |
| CT21 | Taxable capital | 6,246,737 | 3,587,315 | | 9,834,052 |
| Schedule 591 | Allocation of net deduction | | | | |
| OITC | Allocation of OITC expenditure limit | | | | |
| Québec | | | | | |
| CO-1137.E | % of the \$1,000,000 deduction | 100.0000 | | | 100.0000 |
| | Paid-up capital | 5,505,850 | | | 5,505,850 |
| CO-737.18.18 | Paid-up capital | 5,505,850 | | | 5,505,850 |
| CO-1138.1 | Allocation of farming and fishing deduction | | | | |
| RD-1029.7 | Assets | 10,183,146 | | | 10,183,146 |
| RD-1029.7.8 | Allocation of SR&ED expenditure limit | 2,000,000 | | | 2,000,000 |
| | % of the business limit | 100.000 | | | 100 |
| CO-771.1.3.V | Allocation of the business limit | | | | |
| Manitoba | | | | | |
| MCT1 | Allocation of capital deduction | | | | |
| British Columbia | | | | | |
| Schedule F | Net paid-up capital | | | | |
| | BC paid-up capital | | | | |

Related and Associated Corporations Summary

| | | Corporation #4 | Corporation #5 | Corporation #6 | Total |
|--------------------------|---|-------------------|---|----------------|-------------|
| Corporation name | | Wasaga Genco Inc. | The Corporation of the Town of Wasaga Beach | | |
| Business number | | NR RC | 10810 1577 RC 0001 | RC | |
| Taxation year end | | 2004/12/31 | 2004/12/31 | | |
| Federal | | | | | |
| Schedule 9 | # of common shares owned | | | | 100 |
| | % of common shares owned | | | | 100.000 |
| | # of preferred shares owned | | | | |
| | % of preferred shares owned | | | | |
| | Book value of capital stock | | 100 | | 2,745,696 |
| Schedule 23 | Business limit (before allocation) | 250,000 | 250,000 | | 1,250,000 |
| | % of the business limit | | | | 100.000 |
| | Allocation of the business limit | | | | 250,000 |
| Schedule 49 | Allocation of SR&ED expenditure limit | | | | |
| Capital tax | | | | | |
| Schedule 36 | Allocation of capital deduction | | | | 50,000,000 |
| Schedule 39 | Allocation of capital deduction | | | | 200,000,000 |
| Schedule 343 | Allocation of capital deduction | | | | 5,000,000 |
| Schedule 362 | Allocation of capital deduction | | | | 5,000,000 |
| Alberta | | | | | |
| AT1 Schedule 1 | % of business limit | | | | 100.000 |
| | Allocation of the base amount | | | | 200,000 |
| AT1 Schedule 6 | Allocation of Crown royalty shelter | | | | 2,000,000 |
| Ontario | | | | | |
| OMinimum | Total assets | 100 | | | 18,754,849 |
| | Total revenue | | | | 11,706,929 |
| OSurtax | Taxable income | | | | 1,223,318 |
| CT21 | Taxable capital | | | | 9,834,052 |
| Schedule 591 | Allocation of net deduction | | | | |
| OITC | Allocation of OITC expenditure limit | | | | |
| Québec | | | | | |
| CO-1137.E | % of the \$1,000,000 deduction | | | | 100.0000 |
| | Paid-up capital | | | | 5,505,850 |
| CO-737.18.18 | Paid-up capital | | | | 5,505,850 |
| CO-1138.1 | Allocation of farming and fishing deduction | | | | |
| RD-1029.7 | Assets | | | | 10,183,146 |
| RD-1029.7.8 | Allocation of SR&ED expenditure limit | | | | 2,000,000 |
| CO-771.1.3.V | % of the business limit | | | | 100 |
| | Allocation of the business limit | | | | |
| Manitoba | | | | | |
| MCT1 | Allocation of capital deduction | | | | |
| British Columbia | | | | | |
| Schedule F | Net paid-up capital | | | | |
| | BC paid-up capital | | | | |

WASAGA DISTRIBUTION INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

1. Accounting policies

The financial statements of the company are the representations of management. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment based on available information. The financial statements have, in the opinion of management, been properly prepared within the framework of the accounting policies summarized below:

- (a) The financial statements are prepared in accordance with the Ontario Energy Board Accounting Procedures Handbook and directives.
- (b) Revenue is recognized on the accrual basis and includes unbilled revenue which is an estimate of electricity consumed by customers but billed in the following year.
- (c) Capital assets are stated at cost. Contributions received in aid of construction of capital assets are capitalized and amortized at the same rate as the related asset. Capital assets are depreciated over their estimated useful lives, using the straight-line method. Assets constructed by others and donated to the company are recorded at cost to the developer. Depreciation rates are as follows:

| | |
|-----------------------|--------------|
| Buildings | 2% |
| Distribution stations | 3.33% |
| Other capital assets | 6.67% to 20% |

- (d) Significant restructuring costs related to qualifying transition factors are being amortized as allowed by the Ontario Energy Board for rate setting purposes. Transition costs related to industry restructuring that do not qualify for recapture through the rate setting process are recorded as Deferred charges - restructuring transition and are being amortized on a straight-line basis over five years.
- (e) Regulatory liabilities represent variances in the purchase and sale of electricity which will be recovered from rates. Ontario Energy Board has authorized the recovery of 25% of the December 31, 2002 regulatory asset balances beginning in April 2004 and has put a process in place to address the future recovery of remaining asset balances over the following three years.
- (f) Payments in lieu of taxes are calculated using the taxes payable method as directed by the Ontario Energy Board. Under the taxes payable method, no provision is made for future income taxes arising from the temporary difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. 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 the company at that time. The unrecognized future tax asset is \$158,124 (\$124,264 - 2003) and the unrecognized future tax recovery is \$33,860 (\$12,264 - 2003) arising from differences between the carrying amount and tax value of capital assets.

WASAGA DISTRIBUTION INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

2. Related parties

The common shares of Wasaga Resource Services Inc., Wasaga Genco Inc. and Wasaga Distribution Inc. are owned by Geosands Inc. which is owned by the Town of Wasaga Beach.

A services agreement was struck between Wasaga Resource Services Inc. and the company. Included in this agreement is an adjustment to the initial base consideration of \$1,056,324 paid by the company for its services up to 80% of the change in customer count. Also included is a relief clause stating that if Wasaga Resource Services Inc. realizes substantially greater costs in providing any new services to the company, compensation can be renegotiated and it would be considered reasonable to have 90% of the costs incurred by the company. In 2004, the base consideration was adjusted upward by \$250,000 to \$1,306,324.

3. Note payable to the Town of Wasaga Beach

There are no fixed terms of principal repayment. Interest is determined on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing. The interest rate payable in any given year is the Government of Canada 10 year bond rate posted by the Bank of Canada on December 31st of each year. Interest may be payable in cash or in additional common shares issued by the company. The interest rate at December 31, 2004 was 4.39% (4.66% in 2003). For 2004, the Town of Wasaga Beach increased the interest rate for the note to 7.25%.

4. Financial instruments

The company's financial instruments consist of unbilled revenue, accounts payable and accruals, due to Wasaga Resources Services Inc. and long-term liabilities. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

5. Tax status

The company is exempt from income taxes under section 149 of the Income Tax Act. The company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes.

6. Payments in lieu of tax reconciliation

| | 2004 | 2003 |
|-----------------------------------|------|------|
| | % | % |
| Tax rate per tax return | 32.1 | 33.0 |
| Timing differences | 8.0 | 5.0 |
| Permanent differences | 4.0 | - |
| Tax rate per financial statements | 44.1 | 38.0 |

WASAGA DISTRIBUTION INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

7. Supplemental cash flow information

Cash payments and (receipts) were as follows:

| | 2004 | 2003 |
|----------|---------|---------|
| | \$ | \$ |
| Interest | 167,446 | 175,352 |
| Tax paid | 666,626 | 15,480 |

8. Comparative figures

Certain comparative figures have been reclassified with regard to recording of retailer revenue to decrease both the sale of power and cost of power by \$570,525.

9. Other assets (liabilities)

Other assets consist of the following:

| | 2004 | 2003 |
|-------------------------------|-----------|-----------|
| | \$ | \$ |
| Qualifying transition factors | 286,271 | 227,261 |
| Net regulatory liabilities | (285,118) | (247,820) |
| | 1,153 | (20,559) |

WASAGA DISTRIBUTION INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

10. Contingent liability

A class action claiming \$500,000,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

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

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

Due to the uncertainty of the outcome, no liability has been recorded. The company will treat this transaction as a current year expense when the liability is reasonably assured and the amount can be reasonably estimated.

11. Prior period adjustment

The 2003 balances have been restated as follows to adjust for an error in the calculation of unbilled revenue:

| | Originally Stated | Restated | Change |
|------------------------------------|----------------------|-----------|-----------|
| | \$ | \$ | \$ |
| Unbilled revenue | 722,639 | 1,567,734 | 845,095 |
| Other Assets/Liabilities | 656,447 | (20,559) | (677,006) |
| Retained income, beginning of year | (18) | 168,071 | 168,089 |

There was no impact on 2003 net income.