Appendix A – Milton Hydro Distribution Inc. 2013 Audited Financial Statements

Financial Statements of

MILTON HYDRO DISTRIBUTION INC.

Year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholder:

We have audited the accompanying financial statements of Milton Hydro Distribution Inc., which comprise the balance sheet as at December 31, 2013 and the statements of earnings and retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Milton Hydro Distribution Inc. as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 28, 2014
Hamilton, Canada

MILTON HYDRO DISTRIBUTION INC.

Balance Sheet

December 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Current assets:		
Cash	$ 4,293,903	$ 2,541,837
Accounts receivable	9,266,445	8,607,045
Unbilled revenue	10,258,930	7,646,870
Payments in lieu of taxes receivable	-	483,879
Inventories	1,075,783	1,032,812
Prepaid expenses	443,850	427,304
	25,338,911	20,739,747
Property, plant and equipment (note 2)	60,251,895	58,980,872
Intangible assets (note 3)	517,276	279,752
Future payments in lieu of taxes	423,834	-
Regulatory assets (note 4)	368,685	1,235,884
	$ 86,900,601	$ 81,236,255
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,329,650	$ 12,341,977
Payments in lieu of taxes payable	808,831	-
Due to related parties	20,723	38,020
Current portion of customer deposits	286,000	262,800
Current portion of long-term debt (note 5)	612,170	513,533
	15,057,374	13,156,330
Other liabilities	4,453,314	4,885,514
Long-term debt (note 5)	31,788,850	29,394,339
Liability for employee future benefits (note 6)	265,257	252,354
Future payments in lieu of taxes	-	199,165
Shareholder's equity:		
Capital stock:		
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	17,008,908	17,008,908
Retained earnings	18,326,898	16,339,645
	35,335,806	33,348,553
Commitments (note 10)		
	$ 86,900,601	$ 81,236,255

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

MILTON HYDRO DISTRIBUTION INC.

Statement of Earnings and Retained Earnings

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Sale of electrical energy	$ 97,680,131	$ 87,942,928
Less cost of power purchased	83,153,242	74,266,765
	14,526,889	13,676,163
Other revenue	1,414,749	1,456,163
	15,941,638	15,132,326
Expenses:		
Operations and maintenance	3,550,969	2,210,120
General administration (note 9)	4,885,004	4,551,872
Depreciation	2,427,165	3,826,646
	10,863,138	10,588,638
Earnings before interest and payments in lieu of taxes	5,078,500	4,543,688
Interest expense	1,846,313	1,696,542
Earnings before payments in lieu of taxes	3,232,187	2,847,146
Payments in lieu of taxes:		
Current	50,971	186,690
Future (recovery)	(56,037)	340,170
	(5,066)	526,860
Net earnings	3,237,253	2,320,286
Retained earnings, beginning of year	16,339,645	15,019,359
Dividends paid	(1,250,000)	(1,000,000)
Retained earnings, end of year	$ 18,326,898	$ 16,339,645

See accompanying notes to financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Net earnings	$ 3,237,253	$ 2,320,286
Items not affecting cash:		
Depreciation and amortization	2,554,121	3,962,758
Increase in liability for employee future benefits	12,903	33,398
Future payments in lieu of taxes	(56,037)	340,170
Regulatory assets	300,237	(1,337,317)
	6,048,477	5,319,295
Change in non-cash operating working capital:		
Accounts receivable	(659,400)	(968,881)
Unbilled revenue	(2,612,060)	(214,300)
Inventories	(42,971)	215,050
Prepaid expenses	(16,546)	(156,838)
Due to/from related parties	(17,297)	(4,132)
Accounts payable and accrued liabilities	987,673	360,050
Payments in lieu of taxes receivable/payable	1,292,710	683,953
	4,980,586	5,234,197
Investments:		
Purchase of property, plant and equipment	(5,470,051)	(9,884,470)
	(5,470,051)	(9,884,470)
Financing:		
Capital contributions received	1,407,383	619,572
Long-term debt issued	3,044,000	5,100,000
Repayment of long-term debt	(550,852)	(402,981)
Other liabilities	(409,000)	1,220,367
Dividends paid	(1,250,000)	(1,000,000)
	2,241,531	5,536,958
Net increase in cash	1,752,066	886,685
Cash, beginning of year	2,541,837	1,655,152
Cash, end of year	$ 4,293,903	$ 2,541,837

See accompanying notes to financial statements.

On August 30, 2000, Milton Hydro Distribution Inc. (the "Corporation") was incorporated under the Ontario Business Corporations Act with net assets contributed from the predecessor hydro-electric commission. The incorporation was required in accordance with the Electricity Act, 1998 (Ontario) (the "EA"). The Corporation provides electricity distribution and related services to its commercial and residential customers. Active operations commenced on October 1, 2000.

1. Significant accounting policies:

The Corporation has adopted accounting policies prescribed by Part V the CPA Canada Handbook - Accounting and therefore the financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation is regulated by the Ontario Energy Board ("OEB"). Significant accounting policies are as follows:

(a) Revenue recognition and cost of power:

The Corporation records revenue from the sale of energy on the basis of regular meter readings and actual customer usage since the last meter reading to the end of the year. The cost of power is recognized when the energy is consumed.

(b) Inventories:

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

The amount of inventories consumed by the Corporation and recognized as an expense during 2013 was $298,877 (2012 - $133,302).

(c) Property, plant and equipment:

On January 1, 2013, the Corporation implemented regulatory accounting changes for capitalization policies and depreciation expense. Overheads are now based on costs directly attributable to asset acquisition and maintenance. At the same time, the estimated useful service life of the assets was revised using the actual life of the assets experienced by the Corporation and industry-sponsored asset life studies. In accordance with the requirements of the regulator, the Corporation has recorded the net effect of the changes as an adjustment to earnings with an offsetting amount recorded in regulatory assets. The accounting policy change has been accounted for prospectively in accordance with the direction of the regulator.

Capital assets are recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation, direct labour, directly attributable overhead costs, and any other costs directly attributable to bringing the asset to a working condition for its intended use. In circumstances where parts of an item of PP&E have different useful lives, such are accounted for as separate items (major components) of PP&E.

Depreciation, which is intended to amortize property, plant and equipment over their estimated service life, is provided on the straight-line basis at annual rates ranging from 1.7% to 20%.

In the year of addition or completion, a half year of depreciation is taken on the asset.

1. Significant accounting policies (continued):

(c) Property, plant and equipment (continued):

For readily identifiable assets retired or disposed of, the asset and related accumulated depreciation are removed from the records. Differences between the proceeds, if any, and the undepreciated asset amount plus removal costs, are recorded as a gain or loss in the year of disposal.

(d) Capital contributions:

Capital contributions are netted against property, plant and equipment and amortized to income on the same basis as the related asset.

(e) Intangible assets:

Intangible assets include intangible software costs and capital contributions towards a Hydro One transformer station. Intangible assets are stated at cost less accumulated amortization.

(f) Employee future benefits:

The Corporation pays certain life insurance benefits, under unfunded defined benefit plans on behalf of its retired employees. These post-retirement costs are recognized in the period in which the employees rendered their services to the Corporation. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are recognized in income in the year in which they arise.

(g) Measurement uncertainty:

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

Accounts receivable, unbilled revenue and future payments in lieu of taxes are stated after evaluation of amounts expected to be collected and an appropriate allowance for doubtful accounts or valuation allowance. Inventories are recorded net of provisions for obsolescence. Amounts recorded for depreciation of equipment are based on estimates of useful service life. The liability for employee future benefits is based upon estimated inflation, interest, salary increases and life expectancy.

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

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

Pursuant to the EA, the Corporation is required to compute taxes under the ITA and OCTA and remit such amounts thereunder computed to the Ministry of Finance (Ontario).

1. Significant accounting policies (continued):

(h) Payments in lieu of taxes ("PILs") (continued):

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

(i) Other liabilities:

Included in other liabilities are deposits from developers and customers.

(j) Financial instruments:

All financial instruments are classified into one of the following categories – held-for-trading, available for sale, held-to-maturity, other liabilities or loans and receivables. All financial instruments are carried on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost. The Corporation has chosen to apply Handbook Section 3861 *Financial Instruments - Disclosure and Presentation*.

The Corporation has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Due to related parties	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Other liabilities	Other liabilities
Long-term debt	Other liabilities

Derivatives and hedge accounting:

The Corporation does not have derivatives and does not engage in derivative trading or speculative activities. Hedge accounting has not been used in the preparation of these financial statements.

2. Property, plant and equipment:

			2013	2012
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 2,321,200	$ -	$ 2,321,200	$ 2,321,200
Building, transmission and distribution system	155,958,608	64,657,699	91,300,909	88,160,495
Office equipment and tools	6,290,334	4,821,872	1,468,462	1,112,062
Capital contributions	(47,115,669)	(12,276,993)	(34,838,676)	(32,612,885)
	$ 117,454,473	$ 57,202,578	$ 60,251,895	$ 58,980,872

Total depreciation expense for the year is $2,486,045 (2012 - $3,890,022) of which $126,956 (2012 - $136,112) has been allocated to operating expenses.

Contributions are received from developers to finance necessary capital additions. The OEB requires the utility to calculate a rebate to the developers based upon recoverability of capital investment through future hydro usage. In the current year, $169,122 (2012 - $2,229,730) was paid for the Corporation's portion of the obligation.

3. Intangible assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Capital contribution - transformer station	$ 122,349	$ 1,524	$ 120,825	$ -
Computer software	992,060	595,609	396,451	279,752
	$ 1,114,409	$ 597,133	$ 517,276	$ 279,752

Total amortization expense for the year is $68,076 (2012 - $72,736).

4. Regulatory assets:

	2013	2012
OEB regulatory assets:		
Retail settlement variance accounts	$ 662,836	$ 579,068
Regulatory transition to modified IFRS	(433,776)	-
Other regulatory assets	758,120	708,350
	987,180	1,287,418
Other regulatory assets:		
Future income taxes	(618,495)	(51,534)
	(618,495)	(51,534)
	$ 368,685	$ 1,235,884

Net OEB regulatory assets (liabilities) represent costs incurred by the Corporation in excess of amounts billed to the consumer at OEB approved rates plus recoveries (amounts billed to the consumer at OEB approved rates plus recoveries in excess of costs incurred by the Corporation). These amounts have been accumulated pursuant to the EA and deferred in anticipation of their future disposition in electricity distribution rates. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities.

Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Regulatory assets (liabilities) earn (incur) simple interest per annum at the OEB prescribed rates set by the OEB each quarter.

Retail settlement variance accounts represent amounts that have accumulated since market opening and that have not been approved for disposition by the OEB. The accounts are comprised of:

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

b) variances between the amounts charged by the IESO for energy commodity costs and the amounts billed to customers by the Corporation based on OEB approved rates.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect the distribution rates that the Corporation may charge and the costs that the Corporation may recover, including the balance of its regulatory assets.

4. Regulatory assets (continued):

In the absence of rate regulation, generally accepted accounting principles would require the Corporation to record the costs and recoveries described above in the operating results of the year in which they are incurred. Reported earnings before income taxes would be higher by $300,237 (2012 – lower by $1,337,318).

Rate regulation:

The Corporation is regulated by the OEB, under the authority granted by the Ontario Energy Board Act (1998). The OEB has the power and responsibility to approve or fix rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to electricity distributors which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian GAAP for enterprises operating in a non-rate regulated environment.

The OEB regulates the electricity distribution rates charged by an Ontario municipal electric utility ("LDC") using a combination of annual incentive rate mechanism ("IRM") adjustments and periodic cost of service reviews. Both such adjustments and reviews are based on applications made by LDC's to the OEB. The current ratemaking policy of the OEB requires a cost of service review every five years, followed by four successive years of IRM adjustments.

In 2010 the Corporation filed a rate application to adjust its distribution charges, effective May 1, 2011, under the cost of service methodology. Under this methodology, the Corporation was allowed a rate of return on Corporation debt and equity of 4.70% and 9.58% respectively. The application also included the provision to repay regulatory liabilities accumulated by the Corporation.

Green Energy and Green Economy Act:

In early 2009, the government tabled the *Green Energy and Green Economy Act* ("GEGEA"). This new legislation makes fundamental changes to the roles and responsibilities of LDCs in the areas of renewable power generation, conservation and demand management delivery, and the development of smart distribution grids.

The GEGEA provides LDCs with the option to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

5. Long-term debt:

	2013	2012
Promissory note – Town of Milton	$ 14,934,210	$ 14,934,210
Debentures -Infrastructure Ontario		
Interest bearing at 3.02%, payable in blended semi-annual payments of $30,920, maturing April 1, 2015	90,028	147,837
Interest bearing at 4.49%, payable in blended semi-annual payments of $132,967, maturing April 1, 2025	2,368,454	2,522,826
Interest bearing at 4.84%, payable in blended semi-annual payments of $138,786, maturing July 15, 2035	3,732,340	3,825,859
Interest bearing at 4.33%, payable in blended semi-annual payments of $114,858, maturing September 15, 2036	3,324,574	3,407,628
Interest bearing at 3.92%, payable in blended semi-annual payments of $80,468, maturing February 16, 2037	2,456,731	2,519,512
Interest bearing at 3.87%, payable in blended semi-annual payments of $80,044, maturing September 17, 2037	2,488,002	2,550,000
Interest bearing at 3.74%, payable in blended semi-annual payments of $93,802, maturing May 1, 2038	3,006,681	-
	32,401,020	29,907,872
Less: Current portion of long-term debt	(612,170)	(513,533)
	$ 31,788,850	$ 29,394,339

The promissory note payable is due on demand to the Town of Milton (the "Town"). The note bears interest at 7.25% per annum. The Town has waived their right to demand payment before January 1, 2015. Consequently, the note has been classified as long-term.

Interest expense for the promissory note was $1,082,730 (2012 - $1,082,730).

The Infrastructure Ontario debentures are secured by a general security agreement over the assets of the Corporation.

Principal payments on the long-term debt are as follows:

2014	$ 612,170
2015	606,987
2016	601,496
2017	627,555
2018	654,752
Thereafter	14,363,850
Promissory Note – Town of Milton	14,934,210
	$ 32,401,020

6. Liability for employee future benefits:

The Corporation pays certain life insurance benefits on behalf of its retired employees. The Corporation has adopted CPA Canada Handbook Part V accounting standards for employee future benefits. These post-retirement costs are recognized in the period in which the employees rendered the services. The accrued benefit liability and the expense for the year ended December 31, 2013, were based on results and assumptions determined by an actuarial valuation as of January 1, 2011.

	2013	2012
Accrued benefit liability, beginning of year	$ 252,354	$ 218,956
Current service cost	10,254	9,812
Interest on benefits	11,616	11,050
Actuarial loss	-	21,088
Benefits paid	(8,967)	(8,552)
Accrued benefit liability, end of year	$ 265,257	$ 252,354

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

(a) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index for Canada ("CPI"), were assumed at 2.0% in 2011 and thereafter.

(b) Interest (discount rate):

The obligations at year end, of the present value of future liabilities and the expense for the year, were determined using a discount rate of 4.5%.

(c) Salary levels:

Future general salary and wage levels were assumed to increase at 3.5% per annum.

7. Pension plans:

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

Contributions by the Corporation were at a rate of 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter.

The amount contributed to OMERS for 2013 was $446,856 (2012 - $386,662) for current service and is included as an expenditure on the statement of earnings and retained earnings.

8. Public liability insurance:

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

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

9. Bad debts expense:

During 2013, the Corporation incurred bad debts of $52,293 (2012 – $43,359).

10. Commitments:

(a) The Corporation has a $3,840,000 committed revolving loan from a financial institution available for use. A letter of credit in the amount of $2,924,000 has been issued in favour of the IESO as security for the Corporation’s purchase of electricity through the IESO. No amounts have been drawn on the letter of credit at year end.

(b) During 2009, the Corporation entered into an operating lease for its Milton premises. The term of the lease is five years, expiring on November 21, 2014 and includes a five year renewal option. The lease agreement requires the Corporation to pay a proportionate share of property taxes and some operating expenses. Future minimum annual commitments, including an estimate of the proportionate share of property taxes and operating expenses are as follows:

2014	$	348,223
	$	348,223

11. Capital disclosures:

The main objectives of the Corporation when managing capital are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2013, shareholder's equity amounts to $35,335,806 (2012 - $33,348,553) and long-term debt amounts to $31,788,850 (2012 - $29,394,339).

The OEB regulates the amount of interest on debt and the rate of return that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure for the Corporation may differ from the OEB's deemed structure.

12. Transactions with related parties:

Related parties include the following:

The Town	Shareholder of the parent company
Milton Hydro Holdings Inc.	Parent company
Milton Energy and Generation Solutions Inc.	Subsidiary of parent
Milton Hydro Services Inc.	Subsidiary of parent

The Corporation paid a management fee of $29,631 (2012 - $21,832) to its parent. The above transaction is in the normal course of operations and is measured at the exchange amount of consideration established and agreed to by the related parties.

During the year, the Corporation earned gross revenue of $2,663,215 (2012 - $2,038,608) from the Town. Of this amount, $386,721 (2012 - $249,919) was net distribution revenue.

Amounts due to and from related parties are non-interest bearing with no fixed terms of repayment except for the note payable as described in note 5.

Included in accounts receivable are receivables from the Town of $262,457 (2012 - $76,858).

13. Supplemental cash flow information:

The following information is supplemental to the Statement of Cash Flows:

	2013	2012
Cash received during the year from interest	$ 251,646	$ 231,950
Cash paid during the year for interest	(1,834,533)	(1,635,780)
Cash received during the year for PILs	373,765	503,653
Non-cash investing activity:		
Contribution of capital assets from developers	1,747,981	3,237,579
Increase (decrease) in regulatory assets related to decrease (increase) in future payment in lieu of tax assets	(566,961)	158,596

14. Financial instruments:

The carrying values of cash, accounts receivable, unbilled revenue, due to/from related parties, accounts payable and accrued liabilities and other liabilities approximate fair values because of the short maturity of these instruments.

It was not practicable to estimate the fair value of the promissory note payable as there are no terms of repayment. The fair value of the Infrastructure Ontario debentures is approximately $15,622,000.

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

15. Payments in lieu of taxes:

At year end, based on substantively enacted income tax rates, future income tax assets of $1,219,182 (2012 - $1,269,339) have not been recorded. Such future income tax assets relate to tax bases of depreciable capital assets in excess of amounts recorded for accounting purposes.

16. Comparative information

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

17. Emerging accounting changes:

(a) Transition to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") adopted a strategic plan that would have Canadian GAAP converge with IFRS, effective January 1, 2011 which would have required entities to restate, for comparative purposes, their interim and annual financial statements and their opening financial position.

In October 2010, the AcSB approved the incorporation of a one year deferral of IFRS into Part 1 of the CPA Canada Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CPA Canada Handbook specified that first-time adoption, for companies that met this requirement, was mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2015.

The amendment also requires entities that do not prepare its interim and annual financial statements in accordance with Part 1 of the Handbook during the annual period beginning on or after January 1, 2011 to disclose that fact.

The Corporation has decided to implement IFRS commencing on January 1, 2015.

(b) Accounting for rate regulation activities under IFRS

The International Accounting Standards Board ("IASB") has issued IFRS 14 *Regulatory Deferral Accounts* in January 2014. This standard provides specific guidance on accounting for the effects of rate regulation and permits first-time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. Adoption of this standard is optional for entities eligible to use it. Deferral account balances and movements in the balances will be required to be presented as separate line items on the face of the financial statements distinguished from assets, liabilities, income and expenses that are recognized in accordance with other IFRSs. Extensive disclosures will be required to enable users of the financial statements to understand the features and nature of and risks associated with rate regulation and the effect of rate regulation on the entity's financial position, performance and cash flows.