



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 corporate return.

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."

**055 Do not use this area****Identification****Business Number (BN)** ..... 001 867429623 **R C** 0001**Corporation's name**

002 HALTON HILLS HYDRO INC.

Has the corporation changed its name since the last time you filed your T2 return? ..... 003 1 Yes ☐ 2 No ☒If Yes, do you have a copy of the articles of amendment? (**Do Not Submit**) ..... 004 1 Yes ☐ 2 No ☐**Address of head office**Has this address changed since the last time you filed your T2 return? ..... 010 1 Yes ☐ 2 No ☒  
(If Yes, complete lines 011 to 018)

011 43 ALICE STREET

012

City Province, territory, or state  
015 ACTON 016 ONCountry (other than Canada) Postal code/Zip code  
017 018 L7J2A9**To which tax year does this return apply?**Tax year start Tax year-end  
060 2006/01/01 061 2006/12/31  
YYYY MM DD YYYY MM DDHas there been an acquisition of control to which subsection 249(4) applies since the previous tax year? ..... 063 1 Yes ☐ 2 No ☒If Yes, provide the date control was acquired ..... 065  
YYYY MM DD**Mailing address (if different from head office address)**Has this address changed since the last time you filed your T2 return? ..... 020 1 Yes ☐ 2 No ☒  
(If Yes, complete lines 021 to 028)c/o  
022  
023City Province, territory, or state  
025 026Country (other than Canada) Postal code/Zip code  
027 028**Is the corporation a professional corporation that is a member of a partnership?** ..... 067 1 Yes ☐ 2 No ☒**Is this the first year of filing after:**  
Incorporation? ..... 070 1 Yes ☐ 2 No ☒  
Amalgamation? ..... 071 1 Yes ☐ 2 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?** ..... 072 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 24.

**Location of books and records**Has the location of books and records changed since the last time you filed your T2 return? ..... 030 1 Yes ☐ 2 No ☒  
(If Yes, complete lines 031 to 038)

031 43 ALICE STREET

032

City Province, territory, or state  
035 ACTON 036 ONCountry (other than Canada) Postal code/Zip code  
037 038 L7J2A9**Is this the final tax year before amalgamation?** ..... 076 1 Yes ☐ 2 No ☒**Is this the final return up to dissolution?** ..... 078 1 Yes ☐ 2 No ☒**Is the corporation a resident of Canada?**080 1 Yes ☒ 2 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 1 Yes ☐ 2 No ☒  
If Yes, complete and attach Schedule 91.**If the corporation is exempt from tax under section 149, tick one of the following boxes:**

- 085
- 1 ☐ 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

If the type of corporation changed during tax year, provide the effective date of the change ..... 043

YYYY MM DD

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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## Attachments

**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?	<input checked="" type="checkbox"/>	9
Is the corporation an associated Canadian-controlled private corporation?	<input checked="" type="checkbox"/>	23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<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	<input checked="" 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?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<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?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<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> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<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?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<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?	<input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input type="checkbox"/>	3
Is the corporation claiming any type of losses?	<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?	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input type="checkbox"/>	6
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?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input checked="" type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input checked="" 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?	<input checked="" type="checkbox"/>	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<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?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<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?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax?	<input type="checkbox"/>	92*

\* We do not print this schedule.

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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### Attachments - continued from page 2

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

### Additional information

Is the corporation inactive? . . . . . **280** 1 Yes ☐ 2 No ☒

Has the major business activity changed since the last return was filed? (enter Yes for first-time filers) . . . . . **281** 1 Yes ☐ 2 No ☒

What is the corporation's major business activity? **282** DISTRIBUTION OF ELECTRICITY  
(Only complete if Yes was entered at line 281.)

If the major business activity involves the resale of goods, show whether it is wholesale or retail . . . . . **283** 1 Wholesale ☐ 2 Retail ☐

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.

<b>284</b> <u>DISTRIBUTION OF ELECTRICITY</u>	<b>285</b> <u>100.00%</u>
<b>286</b> _____	<b>287</b> _____ %
<b>288</b> _____	<b>289</b> _____ %

Did the corporation immigrate to Canada during the tax year? . . . . . **291** 1 Yes ☐ 2 No ☒

Did the corporation emigrate from Canada during the tax year? . . . . . **292** 1 Yes ☐ 2 No ☒

### Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIF . . . . . **300** 1,921,918 **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") 1,921,918 **C**

**Add:** Section 110.5 additions or subparagraph 115(1)(a)(vii) additions . . . . . **355** \_\_\_\_\_ **D**

**Taxable income** (amount C plus amount D) . . . . . **360** 1,921,918

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) . . . . . 1,921,918 **Z**

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

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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### Small business deduction

#### Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	1,921,918	A
able income from line 360, minus 10/3 of the amount on line 632*, minus 3 times the amount on 636**, and minus any amount that, because of federal law, is exempt from Part I tax	405	1,921,918	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	=		1
		Number of days in the tax year		365	
300,000	x	Number of days in the tax year in 2005 and 2006	=	365	2
		Number of days in the tax year		365	
400,000	x	Number of days in the tax year after 2006	=		3
		Number of days in the tax year		365	
Add amounts at lines 1, 2, and 3					300,000 4
Business limit (see notes 1 and 2 below)					410 300,000 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	300,000	x	415 ***	62,533 D	=	1,667,547 E
				11,250		

Reduced business limit (amount C minus amount E) (if negative, enter "0")	425		F
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#### Small business deduction - Whichever amount is the least: A, B, C, or F

Amount G1	X	Number of days in the tax year before 2008	365	X 16.00%	=		G1
		Number of days in the tax year	365				G2
Amount G1	X	Number of days in the tax year in 2008		X 16.50%	=		G3
		Number of days in the tax year	365				
Amount G1	X	Number of days in the tax year after 2008		X 17.00%	=		G4
		Number of days in the tax year	365				

Small business deduction - total of amounts G2, G3, and G4 (enter amount G on line 9)	430	<NIL>	G
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\* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

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

#### \*\*\* Large corporations

- If the corporation is not associated with any corporations in both the current and the preceding tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the preceding tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

### Resource deduction

Taxable resource income [as defined in subsection 125.11(1)]					435	H
Amount H	x	Number of days in the tax year in 2004		X 2%	=	I
		Number of days in the tax year	365			
Amount H	x	Number of days in the tax year in 2005		X 3%	=	J
		Number of days in the tax year	365			
Amount H	x	Number of days in the tax year in 2006		X 5%	=	K
		Number of days in the tax year	365			
Amount H	x	Number of days in the tax year after 2006		X 7%	=	L
		Number of days in the tax year	365			
Resource deduction - total of amounts I, J, K, and L (enter amount M on line 10)					438	M



Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end <b>2006/12/31</b>
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**General tax reduction for Canadian-controlled private corporations**  
**Canadian-controlled private corporations throughout the tax year**

Taxable income from line 360						<b>1,921,918</b>	<b>A</b>
Amount Z1 from Part 9 of Schedule 27							<b>B</b>
Amount QQ from Part 13 of Schedule 27							<b>C</b>
Taxable resource income from line 435							<b>D</b>
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)							<b>E</b>
Amount on line 400, 405, 410, or 425, whichever is the least							<b>F</b>
Aggregate investment income from line 440							<b>G</b>
Total of amounts B, C, D, E, F, and G							<b>H</b>
Amount A minus amount H (if negative, enter "0")						<b>1,921,918</b>	<b>I</b>
Amount I <u>1,921,918</u> x	Number of days in the tax year before 2008	<u>365</u>	X 7%	=	<u>134,534</u>		<b>J1</b>
	Number of days in the tax year	<u>365</u>					
Amount I <u>1,921,918</u> x	Number of days in the tax year in 2008		X 7.5%	=			<b>J2</b>
	Number of days in the tax year	<u>365</u>					
Amount I <u>1,921,918</u> x	Number of days in the tax year in 2009		X 8%	=			<b>J3</b>
	Number of days in the tax year	<u>365</u>					
Amount I <u>1,921,918</u> x	Number of days in the tax year after 2009		X 9%	=			<b>J4</b>
	Number of days in the tax year	<u>365</u>					
<b>General tax reduction for Canadian-controlled private corporations - total of amounts J1, J2, J3, and J4</b>						<b>134,534</b>	<b>J</b>
(enter amount J on line 638)							

**General tax reduction**  
**Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation. For tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the full tax rate.**

Taxable income from line 360							<b>M</b>
Amount Z1 from Part 9 of Schedule 27							<b>N</b>
Amount QQ from Part 13 of Schedule 27							<b>O</b>
Taxable resource income from line 435							<b>P</b>
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)							<b>Q</b>
Total of amounts N, O, P, and Q							<b>R</b>
Amount M minus amount R (if negative, enter "0")							<b>S</b>
Amount S	x	Number of days in the tax year before 2008	<u>365</u>	X 7%	=		<b>T1</b>
		Number of days in the tax year	<u>365</u>				
Amount S	x	Number of days in the tax year in 2008		X 7.5%	=		<b>T2</b>
		Number of days in the tax year	<u>365</u>				
Amount S	x	Number of days in the tax year in 2009		X 8%	=		<b>T3</b>
		Number of days in the tax year	<u>365</u>				
Amount S	x	Number of days in the tax year after 2009		X 9%	=		<b>T4</b>
		Number of days in the tax year	<u>365</u>				
<b>General tax reduction - total of amounts T1, T2, T3, and T4</b>							<b>T</b>
(enter amount T on line 639)							

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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**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 .....

**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 ..... **1,921,918**

**Deduct:**

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

Foreign non-business income tax  
 credit from line 632 X 25/9 = .....

Foreign business income tax  
 credit from line 636 X 3 = .....

**1,921,918** X 26 2/3 % = **512,511** **D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780) **425,128**

**Deduct:** Corporate surtax from line 600 **21,525**

Net amount ..... **403,603** **E**

**Refundable portion of Part I tax - Amount C, D, or E, whichever is the least** **450** **<NIL>** **F**

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the preceding tax year ..... **460** **5,528**

**Deduct:** Dividend refund for the previous tax year ..... **465**

**5,528** **5,528** **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 3 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** **5,528**

**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 3 of Schedule 3 ..... X 1/3 **I**

Refundable dividend tax on hand at the end of the tax year from line 485 above ..... **5,528** **J**

**Dividend refund - Amount I or J, whichever is less (enter this amount on line 784)** .....

**Part I tax**

**Base amount of Part I tax - 38% of taxable income** (line 360 or amount Z, whichever applies) **550** 730,329 **A**

**Corporate surtax calculation**

Base amount from line A above 730,329 **1**

**Deduct:**

10% of taxable income (line 360 or amount Z, whichever applies) 192,192 **2**

Investment corporation deduction from line 620 below                      **3**

Federal logging tax credit from line 640 below                      **4**

Federal qualifying environmental 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 360 538,137 **a**

28% of taxed capital gains                      **b**

Part I tax otherwise payable  
(line A plus lines C and D minus line F) 403,603 **c**

Total of lines 2 to 6 192,192 **7**

Net amount (line 1 minus line 7) 538,137 **8**

**Corporate surtax**

Line 8 538,137 X 4% X Number of days in the tax year before 2008 365 = **600** 21,525 **B**

Number of days in the tax year 365

Recapture of investment tax credit from line OO in Part 17 of Schedule 31 **602**                      **C**

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

Aggregate investment income from line 440                      **i**

Taxable income from line 360 1,921,918

**Deduct:**

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

Net amount 1,921,918 **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) 751,854 **E**

**Deduct:**

Small business deduction from line 430                      **9**

Federal tax abatement **608** 192,192

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

Investment corporation deduction  
(taxed capital gains 624 ) **620**                     

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**                     

Resource deduction from line 438                      **10**

General tax reduction for CCPCs from amount J **638** 134,534

General tax reduction from amount T **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**                     

Subtotal 326,726 **F**

**Part I tax payable - Line E minus line F** (enter amount G on line 700) 425,128 **G**

### Summary of tax and credits

#### Federal tax

Part I tax payable	700	425,128
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax 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	
<b>Total federal tax</b>		<b>425,128</b>

#### Add provincial or territorial tax:

Provincial or territorial jurisdiction **750 Ontario**

(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 770 425,128 A**

#### Deduct other credits:

Investment tax credit refund from Schedule 31	780
Dividend refund	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
Provincial and territorial capital gains refund from Schedule 18	808
Provincial and territorial refundable tax credits from Schedule 5	812
Tax instalments paid	840 425,128

**Total credits 890 425,128**

**Balance (line A minus line B) <NIL>**

Refund code **894**

Overpayment

#### 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** **918**

Institution number

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 ☒

#### Certification

I, **950 SKIDMORE**

Last name in block letters

**951 ARTHUR**

First name in block letters

**954 CHIEF FINANCIAL OFFICER**

Position, office, or rank

I am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

**955 2007/06/30**

Date (yyyy/mm/dd)

Signature of the authorized signing officer of the corporation

**956 (519) 853-3700**

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 in block letters

**959**

Telephone number

#### Language of correspondence - Langue de correspondance

**990** Indicate your language of correspondence by entering 1 for English or 2 for French.

Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

1 English/Anglais ☒ 2 Francais/French ☐

# NET INCOME (LOSS) FOR INCOME TAX PURPOSES

# SCHEDULE 1

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

- 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. For more information, see the *T2 Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
  - Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements ..... 1,165,491 A

## Add:

Provision for income taxes - current	101	729,801	
Provision for income taxes - deferred	102		
Interest and penalties on taxes	103	33,000	
Amortization of tangible assets	104	3,388,729	
Amortization of natural resource assets	105		
Amortization of intangible assets	106	13,204	
Recapture of capital cost allowance from Schedule 8	107		
Gain on sale of eligible capital property from Schedule 10	108		
Income or loss for tax purposes - joint ventures or partnerships	109		
Loss in equity of subsidiaries and affiliates	110		
Loss on disposal of assets	111		
Charitable donations from Schedule 2	112		
Taxable capital gains from Schedule 6	113		
Political donations	114		
Holdbacks	115		
Deferred and prepaid expenses	116		
Depreciation in inventory - end of year	117		
Scientific research expenditures deducted per financial statements	118		
Capitalized interest	119		
Non-deductible club dues and fees	120		
Non-deductible meals and entertainment expenses	121	6,119	
Non-deductible automobile expenses	122		
Non-deductible life insurance premiums	123		
Non-deductible company pension plans	124		
Tax reserves deducted in prior year from Schedule 13	125		
Reserves from financial statements - balance at the end of the year	126		
Soft costs on construction and renovation of buildings	127		
Non-deductible fines and penalties under section 67.6	128		
Total of fields 201 to 294 on page 2	199	95,517	
Total of fields 101 to 199	500	4,266,370	► 4,266,370

## Deduct:

Gain on disposal of assets per financial statements	401	774	
Dividends not taxable under section 83 from Schedule 3	402		
Capital cost allowance from Schedule 8	403	1,902,072	
Terminal loss from Schedule 8	404		
Cumulative eligible capital deduction from Schedule 10	405	61,955	
Allowable business investment loss - Schedule 6	406		
Foreign non-business tax deduction under subsection 20(12)	407		
Holdbacks	408		
Deferred and prepaid expenses	409		
Depreciation in inventory - end of prior year	410		
Scientific research expenses claimed in year from Form T661	411		
Tax reserves claimed in current year from Schedule 13	413		
Reserves from financial statements - balance at the beginning of the year	414		
Patronage dividends from Schedule 16	416		
Contributions to deferred income plans from Schedule 15	417		
Total of fields 300 to 394 on page 3	499	1,545,142	
Total of fields 401 to 499	510	3,509,943	► 3,509,943

Net income (loss) for income tax purposes - enter on line 300 on page 3 of the T2 return ..... 1,921,918

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**Add:**

Accounts payable and accruals for cash basis - closing	201	
Accounts receivable and prepaid for cash basis - opening	202	
Accrual inventory - opening	203	
Accrued dividends - prior year	204	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
All crown charges, royalties, rental, etc.		
- Non-deductible crown payments		
- Taxable portion of Alberta royalty tax credit and other rebates 12(1)(x.2)		
- Other		
Total	207	
Debt issue expense	208	
Deemed dividend income	209	
Deemed interest on loans to non-residents	210	
Deemed interest received	211	
Development expenses claimed in current year	212	
Dividend stop-loss adjustment	213	
Dividends credited to the investment account	214	
Exploration expenses claimed in current year	215	
Financing fees deducted in books	216	
Foreign accrual property income	217	
Foreign affiliate property income	218	
Foreign exchange included in retained earnings	219	
Gain on settlement of debt	220	
Interest paid on income debentures	221	
Limited partnership losses from Schedule 4	222	
Loss from international banking centres	223	
Mandatory inventory adjustment - included in current year	224	
Mining royalties (provincial mining taxes)	225	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Optional value of inventory - included in current year	229	
Other expenses from financial statements		
- for resource loss		
- others		
Total	230	
Recapture of SR&ED expenditures - Form T661	231	27,781
Resource amounts deducted	232	
Restricted farm losses - current year - Schedule 4	233	
Sales tax assessments	234	
Share issue expense	235	
Write-down of capital property	236	
Amounts received in respect of qualifying environmental trust		
per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years - previous year	238	
<b>Other additions:</b>		
600 Employee future benefit costs accrued	290	25,736
601 Provision for bad debts	291	42,000
602	292	
603	293	
4a		
4b	294	
Total of fields 201 to 294 (enter this amount at line 199 on page 1)		95,517

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**Deduct:**

Accounts payable and accruals for cash basis - opening	300	
Accounts receivable and prepaid for cash basis - closing	301	
Accrual inventory - closing	302	
Accrued dividends - current year	303	
Bad debt	304	55,986
Book income of joint venture or partnership	305	1,597
Equity in income from subsidiaries or affiliates	306	
Exempt income under section 81	307	
Income from international banking centres	308	
Mandatory inventory adjustment - included in prior year	309	
Contributions to a qualifying environmental trust	310	
Non-Canadian advertising expenses - broadcasting	311	
Non-Canadian advertising expenses - printed materials	312	
Optional value of inventory - included in prior year	313	
Other income from financial statements	314	
Payments made for allocations in proportion to borrowing and bonus interest payment from Schedule 17	315	
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years - current year	316	

**Resource deductions:**

Canadian development expenses from Schedule 12	340	
Canadian exploration expenses from Schedule 12	341	
Canadian oil and gas property expenses from Schedule 12	342	
Deductible crown charges	343	
Depletion from Schedule 12	344	
Foreign exploration and development expenses from Schedule 12	345	
Resource allowance	346	

**Other deductions:**

700 Employee future benefits expenses paid	390	15,835
701 Reg asset amort incl in tangible asset amort	391	1,471,724
702	392	
703	393	
704	394	
Total of fields 300 to 394 (enter this amount at line 499 on page 1)		1,545,142



## CAPITAL COST ALLOWANCE (CCA)

## SCHEDULE 8 - Federal

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
MILTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

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

1 Class no.	Description	2 Undepreciated capital cost at the beginning of the year (column 11 from last year's T2S(8))	3 Cost of acquisitions during the year (new property must be available for use)	4 Adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (deduct 1/2 the amount, if any, by which the net cost of acquisitions exceeds col. 5)	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Capital cost allowance (column 8 multiplied by column 9; or a lower amount)	11 Undepreciated capital cost at the end of the year (column 6 minus column 10)
200		201	203	205	207		211		212	217	220
1.0	Dist'n System	20,712,394				20,712,394		20,712,394	4.0	828,496	19,883,898
1.0	Buildings & fixtures	2,290,038	29,799			2,319,837	14,900	2,304,937	4.0	92,197	2,227,640
8.0	Major Tools	169,599	50,897			220,496	25,449	195,047	20.0	39,009	181,487
8.0	Office Equipment	160,398	44,033			204,431	22,017	182,414	20.0	36,483	167,948
8.0	Stores Equipment	20,366	2,144			22,510	1,072	21,438	20.0	4,288	18,222
10.0	Computer Hardware	158,266				158,266		158,266	30.0	47,480	110,786
10.0	Fleet	458,204	52,428			510,632	26,214	484,418	30.0	145,325	365,307
12.0	Computer Software	13,650	204,394			218,044		218,044	100.	218,044	<NIL>
8.0	Scada comm equipment	160,505				160,505		160,505	20.0	32,101	128,404
46.0	Scada comm equipment	25,773	97,487			123,260	48,744	74,516	30.0	22,355	100,905
45.0	Computer hardware	93,511	149,217			242,728	74,609	168,119	45.0	75,654	167,074
43.1	Conservatn Demand Mg	65,464	612,620			678,084	306,310	371,774	30.0	111,532	566,552
49.0	Electricity Distn Eqp	2,100,123	2,027,456			4,127,579	1,013,728	3,113,851	8.0	249,108	3,878,471
	Totals	26,428,291	3,270,475			29,698,766	1,533,043	28,165,723		1,902,072	27,796,694

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim. See the T2 Guide for more information.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.



# CAPITAL COST ALLOWANCE (CCA)

# SCHEDULE 8SUM - Federal

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end <b>2006/12/31</b>
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For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*

Is the corporation electing under regulation 1101(5q)?

1 Yes ☐

2 No ☒

1 Class number	2 UCC start of year (UCC at end of year of last year)	3 Cost of acquisitions during the year (new property must be available for use) *	4 Net adjustments **	5 Proceeds of dispositions (amount not to exceed the capital cost) 207	6 Adjusted UCC	7 50% rule on net acquisitions ***	8 Reduced UCC
<b>200</b>	<b>201</b>	<b>203</b>	<b>205</b>			<b>211</b>	
reg	26428.291	3.270.475			29698.766	1.533.043	28165.723
10.1							
13							
14							
	10 Recapture of CCA (line 107 of Schedule 1) <b>213</b>	11 Terminal loss (line 404 of Schedule 1) <b>215</b>	12 CCA (line 403 of Schedule 1) **** <b>217</b>	13 UCC at end of year <b>220</b>			
reg			1.902.072	27796.694			
10.1							
13							
14							
<b>Totals</b>			1.902.072				

1 Class number	2 UCC start of year (UCC at end of year of last year)	3 Cost of acquisitions during the year (new property must be available for use) *	4 Net adjustments **	5 Proceeds of dispositions (amount not to exceed the capital cost) 207	6 Adjusted UCC	7 50% rule on net acquisitions ***	8 Reduced UCC
<b>200</b>	<b>201</b>	<b>203</b>	<b>205</b>			<b>211</b>	
24							
27							
29							
34							
43.3							
Rental							
	10 Recapture of CCA (line 107 of Schedule 1) <b>213</b>	11 Terminal loss (line 404 of Schedule 1) <b>215</b>	12 CCA (line 403 of Schedule 1) **** <b>217</b>	13 UCC at end of year <b>220</b>			
24							
27							
29							
34							
43.3							
Rental							
<b>Totals</b>							

**Totals:**

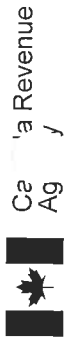
Recapture		(Schedule 1 Line 107)
Terminal loss		(Schedule 1 Line 404)
CCA Claimed	1.902.072	(Schedule 1 Line 403)

\* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

\*\* Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

\*\*\* The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance - General Comments*.

\*\*\*\* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.



## RELATED AND ASSOCIATED CORPORATIONS

## SCHEDULE 9

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

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

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

[illegible]

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1- Parent 2 - Subsidiary 3 - Associated 4 - Related, but not associated.

T2 SCH 9 (99)



Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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- use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 - Calculation of current year deduction and carry-forward**

<b>Cumulative eligible capital - Balance at end of preceding taxation year</b> (if negative, enter "0")	200	885,066	A
<b>Add:</b> Cost of eligible capital property acquired during the taxation year	222		
Other adjustments	226		
Subtotal (line 222 plus line 226)		x 0.75 =	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002.	228	x 0.50 =	C
amount B minus amount C (if negative, enter "0")			D
Amount transferred on amalgamation or wind-up subsidiary	224		E
Subtotal (add amounts A, D, and E)	230	885,066	F
<b>Deduct:</b>			
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
Other adjustments	246		I
(add amounts G, H, and I)		x 0.75 =	248 J
<b>Cumulative eligible capital balance</b> (amount F minus amount J) (if amount K is negative, enter "0" at line M and proceed to Part 2)			885,066 K
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
amount K	885,066		
less amount from line 249			
<b>Current year deduction</b>	885,066	x 7.00 =	250 61,955
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)			61,955 L
<b>Cumulative eligible capital - Closing balance</b> (amount K minus amount L) (if negative, enter "0")	300	823,111	M

**Note:** You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

**Part 2 - Amount to be included in income arising from disposition**

(complete this part only if the amount at line K is negative)

Amount from line K (show as a positive amount)			N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400	1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	401	2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402	3	
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408	4	
Line 3 minus line 4 (if negative, enter "0")		5	
Total of lines 1, 2, and 5		6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400		7	
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000		8	
Subtotal (line 7 plus line 8)	409	9	
Line 6 minus line 9 (if negative, enter "0")			O
Line N minus line O (if negative, enter "0")			P
Line 5		x 50.0000 % =	Q
Line P minus line Q (if negative, enter "0")			R
Amount R		x 66.6667 % =	S
Amount N or amount O, whichever is less			T
<b>Amount to be included in income</b> (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410		

TRANSACTIONS WITH SHAREHOLDERS, OFFICERS OR EMPLOYEES

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end <b>2006/12/31</b>
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Provide the details of any transactions with shareholders, officers or employees that involve:

- payments the corporation made or amounts credited to the account of shareholders, officers, or employees, that were not part of their remuneration or reimbursement of expenses;
- assets the corporation sold to or purchased from shareholders, officers, or employees, including those for which an election was made under section 85; or
- loans or indebtedness to shareholders, officers, or employees, or persons connected with a shareholder that were not repaid by the end of the taxation year.

	Relationship code (see note 1) <b>100</b>	Payments \$ <b>200</b>	Reimbursement \$ <b>300</b>	Loans \$ <b>400</b>	Assets sold or purchased \$ <b>500</b>	Does section 85 apply to assets sold or purchased? <b>550</b>
1.	1			16,141,970		Yes <input type="checkbox"/> No <input type="checkbox"/>
2.						Yes <input type="checkbox"/> No <input type="checkbox"/>
3.						Yes <input type="checkbox"/> No <input type="checkbox"/>
4.						Yes <input type="checkbox"/> No <input type="checkbox"/>
5.						Yes <input type="checkbox"/> No <input type="checkbox"/>
6.						Yes <input type="checkbox"/> No <input type="checkbox"/>
7.						Yes <input type="checkbox"/> No <input type="checkbox"/>
8.						Yes <input type="checkbox"/> No <input type="checkbox"/>
9.						Yes <input type="checkbox"/> No <input type="checkbox"/>
10.						Yes <input type="checkbox"/> No <input type="checkbox"/>
11.						Yes <input type="checkbox"/> No <input type="checkbox"/>
12.						Yes <input type="checkbox"/> No <input type="checkbox"/>
13.						Yes <input type="checkbox"/> No <input type="checkbox"/>

**Note:** Enter the code number of the relationship that applies: 1 - Shareholder  
2 - Officer  
3 - Employee

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
ALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

or use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.

## Allocating the business limit

<b>Allocating the business limit</b>			Year	Month	Day
Date filed (do not use this area) .....	025				
Enter the calendar year to which the agreement applies .....	050	Year	2006		
Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? .....	075	Yes	No <input checked="" type="checkbox"/>		

[illegible]

## CLAIM FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) CARRIED OUT IN CANADA

- Use this form to claim SR&ED carried out in Canada during the year. File it with your return of income.  
If you are filing a T2 corporation return of income, place this form on top of the return so that we can identify your SR&ED claim quickly.
- Use a separate form to support SR&ED expenditures incurred by each partnership of which you are a partner.
- Use Guide T4088, *Claiming Scientific Research and Experimental Development Expenditures*, to help you fill out this form. You can also consult our Web site at [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred) for an online help guide.
- If the SR&ED was performed in the province of Newfoundland and Labrador, Nova Scotia, New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, or British Columbia, or in the Yukon Territory, you may be entitled to a provincial or territorial tax credit.
- Complete schedules A, B, C, D, E, and F, if they apply to your situation.
- Prepare and retain schedules to support the breakdown for each expenditure claimed in this form and on the required attachments.
- On this form, references to the Act are to the *Income Tax Act*. References to the Regulations are to the *Income Tax Act Regulations*.
- All the information requested in this form including the attachments, schedules and any other document supporting your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2 SCH 31 or Form T2038(IND), within 12 months of the filing-due date of your return of income for the year you incurred the expenditures. If you do not meet this reporting deadline, we may reject your claim.

### Part 1 - General Information (please print)

Name of claimant HALTON HILLS HYDRO INC.		Claimant's business address and postal code  Claimant's Web site (if available) <a href="http://www.haltonhills.com">http://www.haltonhills.com</a>	
Business Number, social insurance number, or partnership identification number  867429623 RC 0001		Return for tax year from: 2006/01/01 to: 2006/12/31	
100 Name of contact person  ARTHUR SKIDMORE		142 Is the claim filed for a partnership? 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>	
105 Telephone number/extension  (19) 853-3700	110 Fax number  (519) 853-4148	145 If yes, what is the name of the partnership? _____ _____ _____	
130 Is this the first time you are claiming for SR&ED? 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>		150 Percentage of SR&ED investment tax credits allocated from the partnership _____ %	
132 If not, when was the last claim? Year 2005		155 Name of the person or firm who prepared this claim HALTON HILLS HYDRO	

### Certification and Election

I certify that I have examined the information provided on this form, and on the related schedules and attachments and it is true, correct, and complete.

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for the year.

I understand that my election (choice) is irrevocable for this year.

160 I elect to use the proxy method under clause 37(8)(a)(ii)(B) 1 Yes ☒

162 I choose to use the traditional method 1 Yes ☐

165 ARTHUR SKIDMORE 1702007/06/30

Name of authorized signing officer of the corporation, authorized partner, or individual

Signature

Date

### For Canada Revenue Agency use only

490 \_\_\_\_\_

491 \_\_\_\_\_

492 \_\_\_\_\_

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## Part 2 - Scientific or Technological Project Information

Provide the information requested in Step 1 on separate sheets of paper for each project, and attach them to this form. If you have more than 20 projects, you only need to provide project descriptions for the 20 that are largest in term of dollar value. For step 2, provide the information requested on this form and complete Schedule E. For more information, see Guide T4088, *Claiming Scientific Research and Experimental Development*.

### Step 1 - Detailed project description

Identify each of the projects you are claiming and use questions A to E below to help you provide the information we need to process your claim. If the project is continuing from last year and the objective has not changed or been achieved, you can use the same information that you provided last year for questions A, B and C. Include sufficient information to show how your project work meets the requirements of the SR&ED Program.

We recommend that you read Guide T4088 before you answer questions A to E. This will help you understand the type of information the Canada Revenue Agency needs to process your claim and will reduce or eliminate the need for you to submit more information. It will also help you avoid preparing unnecessary information. Most projects can be described in four pages or less. It would be helpful to take into account whether your project involved experimental development work or scientific research work, because the eligibility requirements for these are different. In general, **experimental development** work is done either in or outside a laboratory in order to achieve a technological advancement for creating new, or improving existing materials, devices, products, or processes. Scientific research work is done mostly in a laboratory setting to obtain new scientific knowledge.

**A. Scientific or technological objectives** - What is the scientific or technological objective of your project? Does this project involve scientific research or experimental development?

**B. Technology or knowledge base or level** - If your project work is mostly experimental development, what were the technological limitations of the products or processes before you started your project? If your project work is mostly scientific research, what was the extent of existing scientific knowledge in this area?

**C. Scientific or technological advancement** - What advancement in technology is being sought? What were the problems or challenges that could not be solved using commonly available techniques requiring you to seek an advance in the underlying technology to achieve the objective in A above, or what was the new scientific knowledge sought in your work? To what field of science or technology would the advance contribute?

**D. Description of work in the tax year** - Describe the work, including experiments and analyses, that you did in this tax year to achieve the technological or scientific objectives above. If all or part of the work that you are claiming was performed by contractors, include a description of the work performed on your behalf by the contractors or a copy of the statement of work from the contract.

**E. Supporting information** - What technical records or documents generated over the course of the work, such as records of trials, test results, progress and final reports, minutes of meetings, employee activity records, prototypes and new products, are available to support your claim?

### Step 2 - Project summary information

Total number of projects you are claiming in this tax year. .... 200 .....

If you received an amount under the Industrial Research Assistance Program (IRAP) for SR&ED type work, please indicate the amount you received. .... 206 .....

Complete Schedule E to provide a list of all SR&ED projects for which you are claiming expenditures this year.

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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**Part 3 - Summary of SR&ED Expenditures** (nearest dollar)

**Step 1 - Allowable SR&ED expenditures for SR&ED carried out in Canada**

SR&amp;ED portion of salary or wages of employees directly engaged in SR&amp;ED:

• employees other than specified employees	<b>300</b>	
• specified employees (do not include bonuses or remuneration based on profits)(see guide)	<b>305</b>	
Amounts deemed incurred in the year under subsection 78(4) (salary or wages)	<b>310</b>	
Unpaid amounts deemed not incurred in the year under subsection 78(4)	<b>315</b>	
Cost of materials consumed in the prosecution of SR&ED	<b>320</b>	
Cost of materials transformed in the prosecution of SR&ED	<b>325</b>	
SR&ED contracts performed on your behalf (complete Schedule F):		
• arm's length contracts	<b>340</b>	
• non-arm's length contracts	<b>345</b>	
Lease costs of equipment used:		
• all or substantially all (90% of the time or more) for SR&ED	<b>350</b>	
• primarily (more than 50% but less than 90% of the time) for SR&ED. Enter only 50% of the lease costs if you use the proxy method. If you use the traditional method, enter "0".	<b>355</b>	
Overhead or other expenditures (enter "0" if you use the proxy method)	<b>360</b>	
Subtotal (add lines 300 to 360; do not add line 315)	<b>365</b>	
Third-party payments (complete Schedule A)	<b>370</b>	
Total current SR&ED expenditures (add lines 365 and 370)	<b>380</b>	
Capital expenditures (for ASA equipment, see guide)	<b>390</b>	
Total allowable SR&ED expenditures (add lines 380 and 390)	<b>400</b>	

**Step 2 - Pool of deductible SR&ED expenditures**

Amount from line 400		
less		
• government and non-government assistance for expenditures included on line 400	<b>430</b>	
• SR&ED ITC claimed last year (other than ITC on shared-use equipment)	<b>435</b>	<b>27,781</b>
• sale of SR&ED capital assets (see guide) and other deductions	<b>440</b>	
and		
• previous year's ending balance in the pool of deductible SR&ED expenditures	<b>450</b>	
• amount of ITC recaptured in the preceding tax year	<b>453</b>	
• adjustments to the pool of deductible expenditures (complete Schedule B, Section 1)	<b>454</b>	
Amount available for deduction (If the amount is negative, enter "0" and add to income in the year)	<b>455</b>	
Deduction claimed in the year	<b>460</b>	
Current year's balance of deductible SR&ED expenditures applicable to future years (line 455 minus line 460)	<b>470</b>	

**Step 3 - Qualified SR&ED expenditures for ITC purposes**

Enter the breakdown between current and capital expenditures for ITC purposes.

	Current Expenditures	Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	<b>492</b>	<b>496</b>
add		
• unpaid amounts (other than salary or wages) from previous years that were paid in the year under subsection 127(26)	<b>500</b>	
• prescribed proxy amount (complete Schedule D); enter "0" if you use the traditional method	<b>502</b>	
• expenditures on shared-use equipment (See Note 1)		<b>504</b>
• qualified expenditures transferred to you (from Form T1146)	<b>508</b>	<b>510</b>
less		
• government and non-government assistance, and contract payments	<b>534</b>	<b>536</b>
• amounts from lines 552 and 554 of Schedule B, Section 2	<b>552</b>	<b>554</b>
• amounts from lines 555 and 556 of Schedule C	<b>555</b>	<b>556</b>
Subtotal	<b>557</b>	<b>558</b>
SR&ED qualified expenditure pool (add lines 557 and 558)		<b>559</b>
add		
• Repayments of assistance and contract payments made in the year		<b>560</b>
Total SR&ED expenditures that qualify for ITC purposes (add lines 559 and 560)*		<b>570</b>

 \* To claim an ITC on this amount, you must complete Schedule T2 SCH 31 - *Investment Tax Credit - Corporation*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, whichever applies.

**Note 1** The expenditure is deemed to be 1/4 of the capital cost of the equipment. Certain adjustments may be required if the equipment was purchased from a non-arm's length supplier (see explanations for lines 522 and 524 in the guide).



## Part 4 - Background information

This information is used to administer the SR&ED program.

penditures for SR&ED performed by you (line 400 minus line 340, 345, and 370)		<b>605</b> _____
<b>A. Sources of funds for SR&amp;ED</b>		
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.		
	<b>Canadian (%)</b>	<b>Foreign (%)</b>
Internal	<b>600</b> _____	
Parent companies, subsidiaries, and affiliated companies	<b>602</b> _____	<b>604</b> _____
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	<b>606</b> _____	
Federal contracts	<b>608</b> _____	
Provincial funding	<b>610</b> _____	
SR&ED contract work performed for other companies on their behalf	<b>612</b> _____	<b>614</b> _____
Other funding (e.g. universities, foreign governments)	<b>616</b> _____	<b>618</b> _____
<b>B. Business personnel</b>		
Total number of employees		<b>630</b> _____
SR&ED personnel (full time SR&ED staff, plus full-time equivalent for staff engaged part-time in this activity):		
Scientists and engineers	<b>632</b> _____	Technologists and technicians
Managers and administrators	<b>636</b> _____	Other technical supporting staff
<b>634</b> _____		<b>638</b> _____
<b>C. Nature of SR&amp;ED work</b>		
From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:		
Basic research (no specific application in view)	<b>650</b> _____	Applied research (specific practical application in view)
Development of new: product	<b>654</b> _____	process
Improvement to existing: product	<b>660</b> _____	process
		technical services
		technical services
<b>652</b> _____		<b>658</b> _____
<b>656</b> _____		<b>664</b> _____
<b>D. Specialized field of research</b>		
Indicate, if applicable, the percentage of the amount on line 605 attributed to the following fields of research:		
Software development	<b>670</b> _____	Biotechnology
		<b>672</b> _____
		Environmental protection
		<b>674</b> _____

## Complete Claim Checklist

To speed up the processing of your claim, make sure you have:

- |  |                                     |
|--|-------------------------------------|
| 1. Used the current version of Form T661 if you are filing a current-year claim  | <input type="checkbox"/>            |
| 2. Signed the "Certification and Election" section in Part 1 of Form T661  | <input type="checkbox"/>            |
| 3. Indicated the method you have chosen for reporting your SR&ED expenditures in fields 160 or 162 in Part 1   | <input checked="" type="checkbox"/> |
| 4. Provided a summary of information for each project, with a breakdown of expenditures (labour, materials, and contracts) as per Schedule E.  | <input type="checkbox"/>            |
| 5. Submitted a detailed project description of your 20 largest projects in terms of their dollar value   | <input type="checkbox"/>            |
| 6. Retained documents prepared to support the SR&ED expenditures claimed in Part 3. If you forget to claim an expenditure, you have up to 12 months after the filing-due date of your tax return for the year to submit an amended Form T661 | <input type="checkbox"/>            |
| 7. Completed Part 4 - Background Information   | <input type="checkbox"/>            |
| 8. Completed schedules A, B, C, D, E and F, if they apply to your situation, and attached to form T661   | <input type="checkbox"/>            |
| 9. Filed a completed Schedule T2 SCH 31, <i>Investment Tax Credit - Corporations</i> , or Form T2038(IND), <i>Investment Tax Credit (Individuals)</i> , to claim ITCs on your qualified SR&ED expenditures                                   | <input type="checkbox"/>            |

All the information requested in this form including the attachments, schedules and any other document to support your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2 SCH 31 or Form T2038(IND), within 12 months of the filing-due date of your income tax return for the year you incurred the expenditures. If you do not meet this reporting deadline, your claim may be rejected.



Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

- File this schedule if the total taxable capital employed in Canada of the corporation (other than a financial institution or an insurance corporation) and its related corporations is greater than \$10,000,000.
- Even if there is no Part 1.3 tax payable for the days in the tax year that are after 2005, you must still complete this schedule (except parts 5 and 9).
  - Parts, sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act* and the *Income Tax Regulations*.
  - Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
  - Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part 1.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
  - No Part 1.3 tax is payable for a taxation year by a corporation that was:
    - bankrupt [as defined by subsection 128(3)] at the end of the year;
    - a deposit insurance corporation throughout the year, as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
    - exempt from tax under section 149 throughout the year on all of its taxable income;
    - neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
    - a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related processing) natural products belonging to or acquired from its members or customers.
  - File the completed Schedule 33 with the *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
  - This schedule may contain changes that had not yet become law at the time of printing.

If the corporation was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 4, "Taxable capital employed in Canada."

### Part 1 - Capital

Add the following amounts at the end of the year:

Reserves that have not been deducted in computing income for the year under Part I . . .	101	456,900
Capital stock (or members' contributions if incorporated without share capital) . . . . .	103	16,161,663
Retained earnings . . . . .	104	4,231,115
Contributed surplus . . . . .	105	
Any other surpluses . . . . .	106	
Deferred unrealized foreign exchange gains . . . . .	107	
All loans and advances to the corporation . . . . .	108	17,024,242
All indebtedness of the corporation represented by bonds, debentures, notes, mortgages, hypothecary claims, bankers' acceptances, or similar obligations . . . . .	109	
Any dividends declared but not paid by the corporation before the end of the year . . . .	110	
All other indebtedness of the corporation (other than any indebtedness for a lease) that has been outstanding for more than 365 days before the end of the year . . . . .	111	661,085
Proportion of the amount, if any, by which the total of all amounts (see note below) for the partnership of which the corporation is a member at the end of the year exceeds the amount of the partnership's deferred unrealized foreign exchange losses . .	112	17,545
Subtotal		38,552,550

▶ 38,552,550 A

Deduct the following amounts:

Deferred tax debit balance at the end of the year . . . . .	121	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year . . . . .	122	
Any amount deducted under subsection 135(1) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of lines 101 to 112 above . . . . .	123	
The amount of deferred unrealized foreign exchange losses at the end of the year . . . .	124	
Subtotal		

▶ B

**Capital for the year** (amount A minus amount B) (if negative, enter "0") . . . . . 190 38,552,550

**Note:** Lines 101, 107, 108, 109, 111, and 112 are determined as follows:

- If the partnership is a member of another partnership (tiered partnerships), include the amounts of the partnership and tiered partnerships.
- Amounts for the partnership and tiered partnerships are those that would be determined for lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
  - Do not include amounts owing to the member or to other corporations that are members of the partnership.
  - Amounts are determined at the end of the last fiscal period of the partnership ending in the year of the corporation.
- The proportion of the total amounts is determined by the corporation's share of the partnership's income or loss for the fiscal period of the partnership.

## Part 2 - Investment allowance

Add the carrying value at the end of the year of the following assets of the corporation:

A share of another corporation .....	401	865,552
A loan or advance to another corporation (other than a financial institution) .....	402	865,551
A bond, debenture, note, mortgage, hypothecary claim, or similar obligation of another corporation (other than a financial institution) .....	403	
Long-term debt of a financial institution .....	404	
A dividend receivable on a share of the capital stock of another corporation .....	405	
A loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim, or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial institutions) that were not exempt from tax under Part I.3 (other than by reason of paragraph 181.1(3)(d)) .....	406	
An interest in a partnership (see note 1 below) .....	407	
<b>Investment allowance for the year (add lines 401 to 407) .....</b>	<b>490</b>	<b>1,731,103</b>

### Notes:

- Where the corporation has an interest in a partnership or in tiered partnerships, consider the following:
  - the investment allowance of a partnership is deemed to be the amount calculated at line 490 above, at the end of its fiscal period, as if it was a corporation;
  - the total of the carrying value of each asset of the partnership described in the above lines is for its last fiscal period ending at or before the end of the corporation's tax year; and
  - the carrying value of a partnership member's interest at the end of the year is its specified proportion [as defined in subsection 248(1)] of the partnership's investment allowance.
- Lines 401 to 405 should not include the carrying value of a share of the capital stock of, a dividend payable by, or indebtedness of a corporation that is exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)].
- Where a trust is used as a conduit for loaning money from a corporation to another related corporation (other than a financial institution), the loan will be considered to have been made directly from the lending corporation to the borrowing corporation, according to subsection 181.2(6).

## Part 3 - Taxable capital

Capital for the year (line 190) .....	38,552,550	C
<b>Deduct:</b> Investment allowance for the year (line 490) .....	1,731,103	D
<b>able capital for the year (amount C minus amount D) (if negative, enter "0") .....</b>	<b>500 36,821,447</b>	

## Part 4 - Taxable capital employed in Canada

To be completed by a corporation that was resident in Canada at any time in the year

Taxable capital for the year (line 500)	<u>36,821,447</u>	x	<table><tr><td>Taxable income earned in Canada</td><td><b>610</b></td><td><u>1,921,918</u></td></tr><tr><td>Taxable income</td><td></td><td>1,921,918</td></tr></table>	Taxable income earned in Canada	<b>610</b>	<u>1,921,918</u>	Taxable income		1,921,918	=	<table><tr><td>Taxable capital employed in Canada</td><td><b>690</b></td><td><u>36,821,447</u></td></tr></table>	Taxable capital employed in Canada	<b>690</b>	<u>36,821,447</u>
Taxable income earned in Canada	<b>610</b>	<u>1,921,918</u>												
Taxable income		1,921,918												
Taxable capital employed in Canada	<b>690</b>	<u>36,821,447</u>												

- Notes:**
- Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
  - Where a corporation's taxable income for a tax year is "0", it shall, for the purposes of the above calculation, be deemed to have a taxable income for that year of \$1,000.
  - In the case of an airline corporation, Regulation 8601 should be considered when completing the above calculation.

To be completed by a corporation that was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation used in the year or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada .....	701
--	-----

**Deduct** the following amounts:

Corporation's indebtedness at the end of the year [other than indebtedness described in any of paragraphs 181.2(3)(c) to (f)] that may reasonably be regarded as relating to a business it carried on during the year through a permanent establishment in Canada .....

711

Total of all amounts each of which is the carrying value at the end of the year of an asset described in subsection 181.2(4) of the corporation that it used in the year, or held in the year, in the course of carrying on any business during the year through a permanent establishment in Canada .....

712

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation that is a ship or aircraft the corporation operated in international traffic, or personal or movable property used or held by the corporation in carrying on any business during the year through a permanent establishment in Canada (see note below) .....

713

Total deductions (add lines 711, 712, and 713) ▶

E

**Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0") .....**

**790**

**Note:** Complete line 713 only if the country in which the corporation is resident did not impose a capital tax for the year on similar assets, or a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end	Year <b>2006</b>	Month <b>12</b>	Day <b>31</b>
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### Part 5 - Calculation of gross Part 1.3 tax

If the tax year starts after 2005, do not complete this part.

able capital employed in Canada (line 690 or 790, whichever applies) ..... 36,821,447

**Deduct:** Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations,  
the amount allocated on Schedule 36) ..... **801** 44,995,000

Excess of taxable capital employed in Canada over capital deduction ..... **811** \_\_\_\_\_

Line 811 \_\_\_\_\_ x Number of days in the tax year in 2004 \_\_\_\_\_ x 0.002 = \_\_\_\_\_ **F**

Number of days in the tax year 365

Line 811 \_\_\_\_\_ x Number of days in the tax year in 2005 \_\_\_\_\_ x 0.00175 = \_\_\_\_\_ **G**

Number of days in the tax year 365

Subtotal (add amounts F and G) \_\_\_\_\_ **H**

**Note:** The Part 1.3 tax rate is reduced to 0% for the days in the tax year that are after 2005.

Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax as follows:

Amount H \_\_\_\_\_ x Number of days in the year ( 365 ) = \_\_\_\_\_ **I**

365

**Gross Part 1.3 tax** (amount H or I, whichever applies) ..... **820** \_\_\_\_\_

### Part 6 - Calculation of gross Part 1.3 tax for purposes of the unused surtax credit

Taxable capital employed in Canada (line 690 or 790, whichever applies) ..... 36,821,447 **J**

**Deduct:** Line 801 above 44,995,000 x 1/5 = ..... 8,999,000 **K**

Excess (amount J minus amount K) (if negative, enter "0") 27,822,447 **L**

Amount L 27,822,447 x 0.00225 = ..... 62,601 **M**

Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax for purposes of the unused surtax credit as follows:

Amount M 62,601 x Number of days in the year ( 365 ) = \_\_\_\_\_ **N**

365

**Gross Part 1.3 tax for purposes of the unused surtax credit** (amount M or N, whichever applies) ..... **821** 62,601

### Part 7 - Calculation of current-year surtax credit available

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. This is called the surtax credit. Any unused surtax credit can be carried back three years or carried forward seven years. Unused surtax credits must be applied in order of the oldest first.
- Refer to subsection 181.1(7) when calculating the amount deductible for a corporation's unused surtax credits where control of the corporation has been acquired between the year in which the credits arose and the year in which you want to claim them.

For a corporation that was a non-resident of Canada throughout the year, enter amount a or b at line O, whichever is less:

a) line 600 from the T2 return	21,525	a	
b) line 700 from the T2 return	425,128	b	O

In any other case, enter amount c or d at line P, whichever is less:

c) line 600 from the T2 return	21,525	x	line 690 of this schedule 36,821,447	=	21,525	c	
			line 500 of this schedule 36,821,447				
d) line 700 from the T2 return					425,128	d	P

Current-year surtax credit available (amount O or P, whichever applies) **830** 21,525

### Part 8 - Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830) 21,525

Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) 62,601

Current-year unused surtax credit (if negative, enter "0") **850**

Enter this amount at line 600 on Schedule 37.

### Part 9 - Calculation of net Part I.3 tax payable

If the tax year starts after 2005, do not complete this part.

Gross Part I.3 tax (line 820) Q

Deduct:

Current-year surtax credit applied (line 820 or 830, whichever is less) **861**

Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862**

Subtotal (cannot be more than amount on line 820) R

Net Part I.3 tax payable (amount Q minus amount R) **870**

Enter this amount at line 704 of the T2 return.

### Part 10 - Calculation for purposes of the small business deduction

This part is applicable only to corporations that are not associated in the current year, but were associated in the prior year.

Taxable capital employed in Canada (line 690 or 790, whichever applies) S

Deduct:

Capital deduction claimed for the year (enter \$10,000,000) T

Excess (amount S minus amount T) (if negative, enter "0") U

Gross Part I.3 tax for purposes of the small business deduction (Amount U x 0.00225) V

Enter this amount at line 415 of the T2 return

AGREEMENT AMONG RELATED CORPORATIONS - PART 1.3 TAX

Name of Corporation <b>HALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end <b>2006/12/31</b>
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- Members of a related group of corporations should use this schedule to allocate the capital deduction of \$50,000,000 among the members of the related group. **Do not file this agreement if no members of the related group have to pay Part 1.3 tax.**
- In cases where a related corporation has more than one taxation year ending in a calendar year, it has to file an agreement for each of those taxation years.
- A corporation that is related to any other corporation at any time in a taxation year of the corporation that ends in a calendar year may file such an agreement.
- In accordance with subsection 181.5(7) of the federal *Income Tax Act*, a Canadian-controlled private corporation is not considered to be related to another corporation for purposes of the capital deduction unless it is also associated with that corporation.
- Attach additional schedules if space for agreement is not sufficient.

Agreement

Date filed (do not use this area) ..... **010**

Year	Month	Day

Is this an amended agreement? ..... **020** 1 Yes ☐ 2 No ☒

Calendar year to which the agreement applies ..... **030**

Year
<b>2006</b>

**Note:** This agreement must include all the information indicated below for all members of the related group, including members to which no amount of capital deduction is allocated for the year. However, any member that is exempt from Part 1.3 tax under subsection 181.1(3) does not have to be included.

	Names of all corporations which are members of the related group  <b>200</b>	Business Number (if a corporation is not registered, enter "NR") <b>300</b>	Allocation of capital deduction for the year \$ <b>400</b>	Taxation year end to which this agreement applies* (YYYY /MM /DD) <b>500</b>
1.	HALTON HILLS HYDRO INC.	867429623 RC 0001	44,995,000	
2.	HALTON HILLS FIBRE OPTICS INC.	886270727 RC 0001	3,500,000	
3.	SOUTHWESTERN ENERGY INC.	870971181 RC 0001	500,000	
4.	HALTON HILLS ENERGY INC.	873074876 RC 0001	5,000	
5.	HALTON HILLS ENERGY SERVICES I	862448453 RC 0001	1,000,000	
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
Total (cannot be more than \$50,000,000)			50,000,000	

\* Entries are only required in this column for a corporation that has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year. The capital deduction of the first corporation for each such taxation year at the end of which it is related to the other corporation is an amount equal to its capital deduction for the first such taxation year. Enter the taxation year end to which this agreement applies.



Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

... private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder				
Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)		Business Number	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
100		200	300	350	400	500
1.	TOWN OF HALTON HILLS	108126897RC0001			100.0	
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						



Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your T2 Corporation Income Tax Return. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

**Eligibility for the various additions**

Is this the corporation's first taxation year that includes January 1, 2006?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006?		
If yes, during that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, complete Part 5.		
Was the corporation a CCPC during its preceding taxation year?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
- Corporations that become a CCPC	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, complete Part 4.		
- Corporations that were formed as a result of an amalgamation	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was one or more of the predecessor corporations neither a CCPC nor a DIC?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, complete Part 4.		
Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, complete Part 3.		
- Corporation that wound-up a subsidiary	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was the subsidiary neither a CCPC nor a DIC during its last taxation year?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, complete Part 4.		
Was the subsidiary a CCPC or a DIC during its last taxation year?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, complete Part 3.		

**Part 1 - Calculation of general rate income pool (GRIP)**

If the corporation's tax year includes January 1, 2006, complete "Part 5 - GRIP addition for 2006" and then line 050. Otherwise, complete line 100.

GRIP addition for 2006 (the greater of amount QQ from Part 5 or "0")	050	852,946	A
P at the end of the previous tax year	100		B
Taxable income for the year (DICs enter "0")*	110	1,921,918	C
Income for the credit union deduction* amount E in Part 3 of Schedule 17)	120		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less*	130		
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income*	140		
Subtotal (add lines 120, 130, and 140)			D
Income taxable at the general corporate rate (line C minus line D)	150	1,921,918	
After-tax income (line 150 multiplied by 68.00 %)	190	1,306,904	E
Eligible dividends received in the tax year	200		
Dividends deductible under section 113 received in the tax year	210		
Subtotal (add lines 200 and 210)			F
GRIP addition:			
Becoming a CCPC (line PP from Part 4)	220		
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	230		
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	240		
Subtotal (add lines 220, 230, and 240)		290	G
Subtotal (add lines A or B (as applicable), E, F, and G)		2,159,851	H
Eligible dividends paid in the previous tax year	300		
Excessive eligible dividend designations made in the previous tax year	310		
Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.			
Subtotal (line 300 minus line 310)			I
GRIP before adjustment for specified future tax consequences (line H minus line I) (amount can be negative)	490	2,159,851	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount Y from Part 2)	560		
GRIP at the end of the tax year (line 490 minus line 560)	590	2,159,851	
or this amount on line 160 on Schedule 55.			

note: For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.



### Part 2 - GRIP adjustment for specified future tax consequences to previous tax years

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560 of page 1 or leave it blank.

**First previous tax year** 2005/12/31

Taxable income before specified future tax consequences from the current tax year: 1,653,883 J1

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      K1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less 300,000 L1

Aggregate investment income (line 440 of the T2 return)                      M1

Subtotal (add lines K1, L1, and M1) 300,000 **▶** 300,000 O1

Subtotal (line J1 minus line O1) (if negative, enter "0") 1,353,883 **▶** 1,353,883 P1

#### Future tax consequences that occur for the current year

Amount carried back from the current year to a prior year

Non-capital loss (paragraph 111(1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences                      Q1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      R1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less                      S1

Aggregate investment income (line 440 of the T2 return)                      T1

Subtotal (add lines R1, S1, and T1)                      **▶**                      V1

Subtotal (line Q1 minus line V1) (if negative, enter "0")                      W1

Subtotal (line P1 minus line W1) (if negative, enter "0")                      X1

**P adjustment for specified future tax consequences to first previous tax year** (line X1 multiplied by 68.00 %). 500

**Second previous tax year** 2004/12/31

Taxable income before specified future tax consequences from the current tax year:                      J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less                      L2

Aggregate investment income (line 440 of the T2 return)                      M2

Accelerated tax reduction reduction (line 637 of T2 return)\* multiplied by 100/7                      N2

Subtotal (add lines K2, L2, M2, and N2)                      **▶**                      O2

Subtotal (line J2 minus line O2) (if negative, enter "0")                      P2

#### Future tax consequences that occur for the current year

Amount carried back from the current year to a prior year

Non-capital loss (paragraph 111(1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences                      Q2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      R2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less                      S2

Aggregate investment income (line 440 of the T2 return)                      T2

Accelerated tax reduction reduction (line 637 of T2 return)\* multiplied by 100/7                      U2

Subtotal (add lines R2, S2, T2, and U2)                      **▶**                      V2

Subtotal (line Q2 minus line V2) (if negative, enter "0")                      W2

Subtotal (line P2 minus line W2) (if negative, enter "0")                      X2

**GRIP adjustment for specified future tax consequences to second previous year** (line X2 multiplied by 68.00 %). 520

**Part 2 - GRIP adjustment for specified future tax consequences to previous tax years (continued)**

 Third previous tax year 2003/12/31

 Taxable income before specified future tax consequences from the current tax year: ..... **J3**

Enter the following amounts before specified future tax consequences from the current tax year:

 Income for the credit union deduction (amount E in Part 3 of Schedule 17) ..... **K3**

 Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less ..... **L3**

 Aggregate investment income (line 440 of the T2 return) ..... **M3**

 Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 ..... **N3**

 Subtotal (add lines K3, L3, M3, and N3) ..... **O3**

 Subtotal (line J3 minus line O3) (if negative, enter "0") ..... **P3**
**Future tax consequences that occur for the current year**  
 Amount carried back from the current year to a prior year

Non-capital loss (paragraph 111(1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

 Taxable income after specified future tax consequences ..... **Q3**

Enter the following amounts after specified future tax consequences:

 Income for the credit union deduction (amount E in Part 3 of Schedule 17) ..... **R3**

 Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less ..... **S3**

 Aggregate investment income (line 440 of the T2 return) ..... **T3**

 Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 ..... **U3**

 Subtotal (add lines R3, S3, T3, and U3) ..... **V3**

 Subtotal (line Q3 minus line V3) (if negative, enter "0") ..... **W3**

 Subtotal (line P3 minus line W3) (if negative, enter "0") ..... **X3**

 GRIP adjustment for specified future tax consequences to third previous tax year (line X3 multiplied by 68.00 %) **540**
**Total GRIP adjustment for specified future tax consequences to previous tax years:**

 (add lines 500, 520, and 540) (if negative, enter "0") ..... **Y**

Enter line Y on line 560 on page 1.

\* Note: The accelerated tax reduction was available for 2001 to 2004 tax years.

**Part 3 - Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year)**

 Post amalgamation ☐

 Post Wind-up ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was a CCPC or DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

 Corporation's GRIP at the end of its last tax year ..... **AA**

 Eligible dividends paid by the corporation in its last tax year ..... **BB**

 Excessive eligible dividend designations made by the corporation in its last tax year ..... **CC**

 Subtotal (line BB minus line CC) ..... **DD**

 GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last year) (line AA minus line DD) ..... **EE**

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 on page 1 for post-amalgamation; or
- line 240 on page 1 for post-wind-up.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**Part 4 - Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up (predecessor or subsidiary was not a CCPC or DIC in its last tax year), or the corporation is becoming a CCPC**

Corporation becoming a CCPC ☐  
 Post amalgamation ☐  
 Post Wind-up ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, corporation means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year ..... **FF**

The corporation's money on hand immediately before the end of its previous/last tax year ..... **GG**

Unused and unexpired losses at the end of the corporation's previous tax year

Non-capital losses .....

Net capital losses .....

Farm losses .....

Restricted farm losses .....

Limited partnership losses .....

Subtotal ► ..... **HH**

Subtotal (add lines FF, GG, and HH) ..... **II**

All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year ..... **JJ**

Paid up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year ..... **KK**

All the corporation's reserves deducted in its previous/last tax year ..... **LL**

The corporation's capital dividend account immediately before the end of its previous/last tax year ..... **MM**

The corporation's low rate income pool immediately before the end of its previous/last tax year ..... **NN**

Subtotal (add lines JJ, KK, LL, MM, and NN) ..... **OO**

**GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or DIC in its last tax year), or the corporation is becoming a CCPC (line II minus line OO) (if negative, enter "0")** ..... **PP**

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 on page 1 for a corporation becoming a CCPC;
- line 230 on page 1 for post-amalgamation; or
- line 240 on page 1 for post-wind-up.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

### Part 5 - GRIP addition for 2006

Use this part to calculate the GRIP balance for a corporation that was a CCPC, or would have been but for an election under subsection 89(11), throughout the tax year that includes January 1, 2006.

	Tax years ending on				
	2001	2002	2003	2004	2005
1. Taxable income for the year*					1,653,883
2. Income for manufacturing and processing profits deduction* (lesser of amounts V and Y in Part 9 of Schedule 27)				NIL	NIL
3. Income for manufacturing and processing profits deduction - electrical energy, steam* (amount QQ from Part 13 of Schedule 27)				NIL	NIL
4. Taxable resource income* (line 435 of the T2 return)					
5. Income for the credit union deduction* (amount E in Part 3 of Schedule 17)					
6. Income for the small business deduction* (amount on line 400, 405, 410, and 425 of the T2 return, whichever is less)					300,000
7. Aggregate investment income* (line 440 of the T2 return)					
8. Income for the accelerated tax reduction* (line 637 of the T2 return multiplied by 100/7)					NIL
9. Subtotal (add rows 2 through 8)					300,000
10. Full rate taxable income before specified future tax consequences (row 1 minus row 9) (if negative, enter "0")					1,353,883
11. Multiply row 10 by 63.00 %					852,946
12. Dividends deductible under subsection 112(1) received from connected corporations, that are reasonably considered, to have been paid out of full rate taxable income in respect of the payer corporation	941	942	943	944	945
13. Subtotal (add row 11 and row 12)					852,946
14. Total taxable dividends paid by the corporation (greater of amounts on line 460 and line 500 on Schedule 3)					
15. GRIP addition (row 13 minus row 14) (if negative, enter "0")	951	952	953	954	955
					852,946

GRIP addition for 2006 (add lines 951, 952, 953, 954, and 955)

852,946 QQ

Enter the greater of amount QQ or "0" on line 050 on page 1.

\* Note: For rows 1 to 8, all income amounts are before considering the specified future tax consequences for that tax year.



## T7B-1

- For use by corporations which have remitted instalment payments for the taxation year of the return being filed.
- The use of this schedule will assist the department in processing your return.
- Use the statements of account balance (Part 2 of Form T9) received from the department to prepare this schedule.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31
Name of corporation contact (for department enquiries)			Telephone Number		

[illegible]

Total Amount of Instalments claimed (Enter on line 840 on the front of T2 Return)	(A)	425,128
Total instalments credited to the taxation year, per last T9 statement of account balance	(B)	

Where amounts (A) and (B) cannot be reconciled, contact your Taxation Centre in order to resolve the discrepancy prior to the end of the taxation year.

## Reconciliation Process

Your return will be processed using the instalment credits available in your account for this fiscal period at the time of assessment. Any overpayment resulting from an instalment discrepancy between the instalment credits available in your account and the instalment credits claimed in field 840 on your return, will first be applied to any balance outstanding and the excess refunded, if the discrepancy is less than \$500.00. If the discrepancy is \$500.00 or more, the excess will be transferred to the next unassessed fiscal period. The effective date of the transfer will be the date of assessment.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	31/12/2006

### CAPITAL TAX SUPPORTING SCHEDULE

#### PARTNERSHIPS / JOINT VENTURES INFORMATION:

Corporation's share of paid-up capital:

1. Enerconnect LP	17,545		
2.			
3.		to (362)	17,545

Corporation's share of gross revenue:

Corporation's own gross revenue ..... 47,134,056

ADD:

1. Enerconnect LP	31,464		
2.			
3.			

Total gross revenue of corporation & partnerships ..... to (480) 47,165,520

#### ELIGIBLE INVESTMENTS:

Bonds & debentures of other corporations:

1.			
2.			
3.		to (402)	

Mortgages due from other corporations:

1.			
2.			
3.		to (403)	

Shares in other corporations:

1. Subsidiary companies	865,552		
2. EnerConnect LP			
3.		to (404)	865,552

Loans & advances to corporations (except amounts due from related corporations with head office outside Canada outstanding less than 120 days) or to a Government:

1.			
2.			
3.		to (405)	

Eligible loans and advances to related corporations s.62(5.1)(5.2) certain restrictions apply (Refer to Guide)

1. Halton Hills Fibre Optics	693,698		
2. Halton Hills Energy Services	171,853		
3.		to (406)	865,551

Shares of partnership(s) or joint venture(s) eligible investments:

1. Enerconnect LP			
2.			
3.		to (407)	

#### LOANS AND ADVANCES:

From corporations or government	983		
From shareholders or related persons	16,141,970		
From Pre-2001 contributed capital	259,401		
From Customer deposits	621,888	to (353)	17,024,242



Ontario

Ministry of Finance

Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

2007

## CT23 Corporations Tax and

## Annual Return

For taxation years commencing  
after December 31, 2004

Corporations Tax Act - Ministry of Finance (MOF)

Corporations Information Act - Ministry of Government Services (MGS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Government Services (MGS) **Annual Return**. Page 1 is a common page required for both Returns. For purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3 - 17. Corporations that do not meet the EFF criteria but do meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

MGS Annual Return Required? (Not required if already filed or Annual Return exempt. Refer to Guide)

☐ Yes☒ No

Page 1 of 20

Ministry Use

Corporation's Legal Name (including punctuation) HALTON HILLS HYDRO INC.			Ontario Corporations Tax Account No. (MOF) 1800262														
Mailing Address 43 ALICE STREET  ACTON ON L7J2A9			This Return covers the Taxation Year Start <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2006</td><td>01</td><td>01</td></tr></table> End <table><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2006</td><td>12</td><td>31</td></tr></table>			year	month	day	2006	01	01	year	month	day	2006	12	31
year	month	day															
2006	01	01															
year	month	day															
2006	12	31															
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes	Date of Change	year month day	Date of Incorporation or Amalgamation year month day 1999/04/13														
Registered/Head Office Address 43 ALICE STREET  ACTON ON L7J2A9			Ontario Corporation No. (MGS) 1349889														
Location of Books and Records 43 ALICE STREET  ACTON ON L7J2A9			Canada Revenue Agency Business No. If applicable, enter 867429623 RC 0001														
Name of person to contact regarding this CT23 Return	Telephone No. ARTHUR SKIDMORE (519) 853-3700	Fax No. (519) 853-4148	Jurisdiction Incorporated ONTARIO														
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MGS)			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <table><tr><td>year</td><td>month</td><td>day</td></tr></table> Ceased <table><tr><td>year</td><td>month</td><td>day</td></tr></table> <input checked="" type="checkbox"/> Not Applicable			year	month	day	year	month	day						
year	month	day															
year	month	day															
Former Corporation Name (Extra-Provincial Corporations only) <input checked="" type="checkbox"/> Not Applicable (MGS)			Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English anglais <input type="checkbox"/> French français														
Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). If there is no change to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check <input checked="" type="checkbox"/> this box. Schedule(s) A and K are not required (MGS). No. of Schedule(s) <table><tr><td></td></tr></table> <input checked="" type="checkbox"/> No Change				Ministry Use 													

## Certification (MGS)

I certify that all information set out in the Annual Return is true, correct and complete.

Signature of Authorized Person (Print clearly or type in full)

Title ☐ Director ☒ Officer ☐ Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.

Corporation's Legal Name  
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF) 1800262  
Taxation Year End 2006/12/31

CT23 Page 3 of 20

## CT23 Corporations Tax Return

Continuation of information (for CT23 filers only)

Please check applicable ☒ box(es) and complete required information.

### Type of corporation

- 1 ☒ Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))
- 2 ☐ Other Private
- 3 ☐ Public
- 4 ☐ Non-share Capital
- 5 ☐ Other (specify) ▼

Share Capital with full voting rights (nearest percent)  
owned by Canadian Residents 100 %

- 2 1 ☐ Family Farm corporation s.1(2)
- 2 ☐ Family Fishing corporation s.1(2)
- 3 ☐ Mortgage Investment corporation s.47
- 4 ☐ Credit Union s.51
- 5 ☐ Bank Mortgage subsidiary s.61(4)
- 6 ☐ Bank s.1(2)
- 7 ☐ Loan and Trust corporation s.61(4)
- 8 ☐ Non-resident corporation s.2(2)(a) or (b)
- 9 ☐ Non-resident corporation s.2(2)(c)
- 10 ☐ Mutual Fund corporation s.48
- 11 ☐ Non-resident owned Investment corporation s.49
- 12 ☐ Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
- 14 ☐ Bare Trustee corporation
- 15 ☐ Branch of Non-resident s.63(1)
- 16 ☐ Financial institution prescribed by Regulation only
- 17 ☐ Investment Dealer
- 18 ☐ Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
- 19 ☒ Hydro successor, municipal electrical utility or subsidiary of either
- 20 ☐ Producer and seller of steam for uses other than for the generation of electricity
- 21 ☐ Insurance Exchange s.74.4
- 22 ☐ Farm Feeder Finance Co-operative corporation
- 23 ☐ Professional corporation (incorporated professionals only)

- ☐ This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)
- ☐ Amended Return
- ☐ Taxation year end change - Canada Revenue Agency approval required
- ☐ Final taxation year up to dissolution (Note: for discontinued businesses, see guide.)
- ☐ Final taxation year before amalgamation
- ☐ The corporation has a floating fiscal year end
- ☐ There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario
- ☐ There was an acquisition of control to which subsection 249(4) of the federal Income Tax Act (ITA) applies since the previous taxation year

If checked, date control was acquired

year month day

- ☐ The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)

- ☐ First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)

- ☐ Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

Yes No

- ☐ ☒ Was the corporation inactive throughout the taxation year?
- ☒ ☐ Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

- ☐ ☒ the Carry-back of a Loss?
- ☒ ☐ an Overpayment?
- ☐ ☒ a Specified Refundable Tax Credit?
- ☒ ☐ Are you a member of a Partnership or Joint Venture?

### Complete if applicable

Ontario Retail Sales Tax Vendor  
Permit no. (Use head office no.)

Ontario Employer Health Tax  
Account no. (Use head office no.)

n/a

111196122

Specify major business activity

DISTRIBUTION OF ELECTRICITY



Corporation's Legal Name  
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)  
1800262

Taxation Year End  
2006/12/31

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## Income Tax

**ation** - If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39)(Int. B. 3008).

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15) -	±	From	690	DOLLARS ONLY	1,921,918
Subtract: Charitable donations -	-		1		
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2) -	-		2		
Subtract: Taxable dividends deductible, per federal Schedule 3 -	-		3		
Subtract: Ontario political contributions (Attach Schedule 2A)(Int.B.3002R) -	-		4		
Subtract: Federal Part VI.1 tax	•	X	3		
Subtract: Prior years' losses applied -	-		5		
Non-capital losses -	-	From	704		
Net capital losses From 715 (page 16) • X inclusion rate 50.000000% =	-		714		
Farm losses -	-	From	724		
Restricted farm losses -	-	From	734		
Limited partnership losses -	-	From	754		
Taxable Income (Non-capital loss) -	=		10		1,921,918
Addition to taxable income for unused foreign tax deduction for federal purposes -	+		11		
Adjusted Taxable Income 10 + 11 (if 10 is negative, enter 11) -	=		20		1,921,918

### Taxable Income

From 10 (or 20 if applicable)

Ontario  
Allocation

### Number of Days in Taxation Year

1,921,918 • X 30 100.0000 % X 12.5% X	Days after Dec. 31, 2002 and before Jan. 1, 2004 33 ÷ Total Days 73 365	= +	29	
1,921,918 • X 30 100.0000 % X 14.0% X	Days after Dec. 31, 2003 34 ÷ Total Days 73 365	= +	32	269,069
Income Tax Payable (before deduction of tax credits)	29 + 32	=	40	269,069

## Incentive Deduction for Small Business Corporations (IDSBC) (s.41)

If this section is not completed, the IDSBC will be denied.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year?

(X) Yes ☐ No

\* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))

Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+	51	1,921,918	
Add: Losses of other years deducted for federal purposes (fed.s.111)	+	52		
Subtract: Losses of other years deducted for Ontario purposes (s.34)	-	53		
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	=	54	1,921,918	
		55	300,000	

### Ontario Business Limit Calculation

320,000 X	Days after Dec. 31, 2002 and before Jan. 1, 2004 31 ÷ ** 365	= +	46	
400,000 X	Days after Dec. 31, 2003 34 ÷ ** 365	= +	47	400,000
Business Limit for Ontario purposes	46 + 47 - =	44	400,000	
	Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.	48	100.0000 %	
		45	400,000	

Income eligible for the IDSBC - - - - - From 30 100.0000 % X 56 400,000 = 60 400,000

\*\*\* Ontario Allocation

Least of 50, 54 or 45

\* note: Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)

\*\* Note: Adjust accordingly for a floating taxation year and use 366 for a leap year.

\*\*\* Note: Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

continued on Page 5

Corporation's Legal Name **HALTON HILLS HYDRO INC.** Ontario Corporations Tax Account No. (MOF) **1800262** Taxation Year End **2006/12/31**

DOLLARS ONLY

**Income Tax** continued from Page 4**Number of Days in Taxation Year****Calculation of IDSBC Rate**

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
31	365

$$7.0\% \times \frac{31}{365} = + 89$$

Days after Dec. 31, 2003	Total Days
34	365

$$8.5\% \times \frac{34}{365} = + 90$$

IDSBC Rate for Taxation Year  $\frac{89}{365} + \frac{90}{365} = \frac{179}{365} = 78$  8.5000

Claim From 60 400,000  $\times$  From 78 8.5000 % = 70 34,000

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount in 114 below.

**Surtax on Canadian-controlled Private Corporations (s.41.1)**

**Applies** if you have claimed the Incentive Deduction for Small Business Corporations.

**Associated Corporation** - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

\*Taxable Income of the corporation From 10 (or 20 if applicable) + 80 1,921,918

If you are a member of an associated group (X) 81 ☒ (Yes)

Name of associated corporation (Canadian & foreign)  
(If insufficient space, attach schedule)

Ontario Corporations Tax  
Account No. (MOF)  
(if applicable)

Taxation Year End

\*Taxable Income  
(if loss, enter nil)

Aggregate Taxable Income	80	82	83	84	etc	85
	1,921,918					1,921,918

**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
31	365

$$320,000 \times \frac{31}{365} = + 115$$

Days after Dec. 31, 2003	Total Days
34	365

$$400,000 \times \frac{34}{365} = + 116$$

$$115 + 116 = 231$$

(If negative, enter nil) 114 400,000

86 1,521,918

**Number of Days in Taxation Year**

Days after Dec. 31, 2002	Total Days
38	365

Calculation of Specified Rate for Surtax  $4.667\% \times \frac{38}{365} = + 97$  4.6670

From 86 1,521,918  $\times$  From 97 4.6670 % = 87 71,028

From 87 71,028  $\times$  From 60 400,000  $\div$  From 114 400,000 = 88 71,028

Surtax Lesser of 70 or 88 = 100 34,000

\* **Note: Short Taxation Years** - Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

DOLLARS ONLY

**Income Tax** continued from Page 5

**tional Deduction for Credit Unions (s.51(4))** (Attach schedule 17)

110

**Manufacturing and Processing Profits Credit (M&P) (s.43)**

**Applies** to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: a) your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and b) the total active business income is \$250,000 or less.

**Eligible Canadian Profits** + 120

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - From 56 400,000

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 34,000 ÷ From 30 100.0000 % ÷ From 78 8.5000 % = 121 400,000

\*Ontario Allocation

Lesser of 56 or 121 + 122 400,000

120 - 56 + 122 = 130

**Taxable Income** + From 10 1,921,918

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - From 56 400,000

Add: Adjustments for Surtax on Canadian-controlled private corporations + From 122 400,000

Subtract: Taxable Income 10 X Allocation % to jurisdictions outside Canada - 140

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses - 141

10 - 56 + 122 - 140 - 141 = 142 1,921,918

m

**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
33 ÷ 73	365
Days after Dec. 31, 2003	Total Days
34 365 ÷ 73	365

143 Lesser of 130 or 142 X From 30 100.0000 % X 1.5% X Ontario Allocation

143 Lesser of 130 or 142 X From 30 100.0000 % X 2.0% X Ontario Allocation

M&P claim for taxation year 154 + 156 = 160

\*Note: Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))

**Manufacturing and Processing Profits Credit for Electrical Generating Corporations**

= 161

**Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity**

= 162

**Credit for Foreign Taxes Paid (s.40)**

**Applies** if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). (Attach schedule)

170

**Credit for Investment in Small Business Development Corporations (SBDC)**

**Applies** if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former Small Business Development Corporations Act)

Eligible Credit 175 Credit Claimed 180

**Subtotal of Income Tax** 40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 = 190 269,069

continued on Page 7

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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**Income Tax** *continued from Page 6*

DOLLARS ONLY

**Specified Tax Credits** (Refer to Guide)**Ontario Innovation Tax Credit (OITC) (s.43.3)** *Applies to scientific research and experimental development in Ontario.*Eligible Credit From 5620 OITC Claim Form (Attach original Claim Form) - - - - - + 191**Co-operative Education Tax Credit (CETC) (s.43.4)** *Applies to employment of eligible students.*Eligible Credit From 5798 CT23 Schedule 113 (Attach Schedule 113) - - - - - + 192**Ontario Film & Television Tax Credit (OFTTC) (s.43.5)***Applies to qualifying Ontario labour expenditures* Name of Productionfor eligible Canadian content film and television productions. 204Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
(Attach the original Certificate of Eligibility) - - - - - + 193**Graduate Transitions Tax Credit (GTTC) (s.43.6)**No. of Graduates From 6596*Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005.*Eligible Credit From 6598 CT23 Schedule 115 (Attach Schedule 115) - - - - - + 195**Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)***Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.*Eligible Credit From 6900 OBPTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - - - - + 196**Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)***Applies to labour relating to computer animation and special effects on an eligible production.*Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
(Attach the original Certificate of Eligibility) - - - - - + 197**Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)***Applies to qualifying R&D expenditures under an eligible research institute contract.*Eligible Credit From 7100 OBRITC Claim Form (Attach original Claim Form) - - - - - + 198**Ontario Production Services Tax Credit (OPSTC) (s.43.10)***Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.*Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
(Attach the original Certificate of Eligibility) - - - - - + 199**Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)***Applies to qualifying labour expenditures of eligible products for the taxation year.*Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
(Attach the original Certificate of Eligibility) - - - - - + 200**Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)***Applies to qualifying expenditures in respect of eligible Canadian sound recordings.*Eligible Credit From 7500 OSRTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - - - - + 201**Apprenticeship Training Tax Credit (ATTC) (s.43.13)**No. of Apprentices From 5896*Applies to employment of eligible apprentices.*Eligible Credit From 5898 CT23 Schedule 114 (Attach Schedule 114) - - - - - + 203 10,000**Total Specified Tax Credits** 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 = 220 10,000**Specified Tax Credits Applied to reduce Income Tax** - - - - - = 225 10,000**Income Tax** 190 - 225 OR Enter NIL if reporting Non-Capital loss (amount cannot be negative) - - - = 230 259,069To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on Page 8. If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on Page 17.

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on Page 8.

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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DOLLARS ONLY

**Corporate Minimum Tax (CMT)**

al Assets of the corporation - - - - - + [240] 45,524,452

Total Revenue of the corporation - - - - - + [241] 47,165,520

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (x) [242] ☒ (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
See attached schedule			+ [243] 5,741,629	+ [244] 2,416,228
			+ [245]	+ [246]
			+ [247]	+ [248]
Aggregate Total Assets	[240] + [243] + [245] + [247], etc		= [249] 51,266,081	
Aggregate Total Revenue	[241] + [244] + [246] + [248], etc			= [250] 49,581,748

**Determination of Applicability**

Applies if either Total Assets [249] exceeds \$5,000,000 or Total Revenue [250] exceeds \$10,000,000.

**Short Taxation Years** - Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

**Associated Corporation** - The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101**.

**Calculation: CMT** (Attach Schedule 101.)

Gross CMT Payable - - CMT Base From Sch. 101 [2136] 1,895,292	X From [30] 100.0000 % X 4% =	[276] 75,812
if negative, enter zero		
Ontario Allocation		
Subtract: Foreign Tax Credit for CMT purposes (Attach schedule)	-	[277]
Subtract: Income Tax	- From [190]	269,069
Net CMT Payable (if negative, enter Nil on Page 17.)	=	[280] -193,257

If [280] is less than zero and you do not have a CMT credit carryover, transfer [230] from Page 7 to Income Tax Summary, on Page 17.

If [280] is less than zero and you have a CMT credit carryover, complete A & B below.

If [280] is greater than or equal to zero, transfer [230] to Page 17 and transfer [280] to Page 17, and to Part 4 of

Schedule 101: Continuity of CMT Credit Carryovers.

CMT Credit Carryover available From Schedule 101 - - - - -	From [2333]
--	-------------

**Application of CMT Credit Carryovers**

A. Income Tax (before deduction of specified credits) - - - - -	+ From [190]	269,069
Gross CMT Payable - - - - -	+ From [276]	75,812
Subtract: Foreign Tax Credit for CMT purposes - - - - -	- From [277]	
If [276] - [277] is negative, enter NIL in [290]	=	[290] 75,812
Income Tax eligible for CMT Credit - - - - -	=	[300] 193,257
B. Income Tax (after deduction of specified credits) - - - - -	+ From [230]	259,069
Subtract: CMT credit used to reduce income taxes - - - - -	- [310]	
Income Tax - - - - -	=	[320] 259,069

If A & B apply, [310] cannot exceed the lesser of [230], [300] and your CMT credit carryover available [2333].

If only B applies, [310] cannot exceed the lesser of [230] and your CMT credit carryover available [2333].

Transfer to page 17

DOLLARS ONLY

**Capital Tax** (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480  
430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both \$3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a

corporation. If Investment Allowance is claimed, Total Assets must be adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

**Paid-up Capital of Non-resident:** Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose **business is not carried on solely in Canada** is deemed to be the **greater** of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

## Paid-up Capital

[illegible]

### Eligible Investments *(Refer to Guide and Int.B.3015R)*

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998) -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		402			
Mortgages due from other corporations -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		403			
Shares in other corporations (certain restrictions apply) ( <i>Refer to Guide</i> ) -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		404		865,552	
Loans and advances to unrelated corporations -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		405			
-able loans and advances to related corporations (certain restrictions apply) ( <i>Refer to Guide</i> )-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		406		865,551	
Share of partnership(s) or joint venture(s) eligible investments ( <i>Attach schedule</i> ) -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+		407			
<b>Total Eligible Investments</b> -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	=		410		1,731,103	

*continued on Page 10*

Corporation's Legal Name  
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)  
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Taxation Year End  
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DOLLARS ONLY

**Capital Tax** continued from Page 9

**Total Assets** (Int.B.3015R)

Assets per balance sheet	- - - - -	+	420	45,524,452
Mortgages or other liabilities deducted from assets	- - - - -	+	421	
Share of partnership(s)/joint venture(s) total assets (Attach schedule)	- - - - -	+	422	
Subtract: Investment in partnership(s)/joint venture(s)	- - - - -	-	423	
<b>Total Assets as adjusted</b>	- - - - -	=	430	45,524,452
Amounts in 360 and 361 (if deducted from assets)	- - - - -	+	440	456,900
Subtract: Amounts in 371, 372 and 381	- - - - -	-	441	-661,085
Subtract: Appraisal surplus if booked	- - - - -	-	442	
Add or Subtract: Other adjustments (specify on an attached schedule)	- - - - -	±	443	
<b>Total Assets</b>	- - - - -	=	450	46,642,437

**Investment Allowance** ( 410 ÷ 450 ) X 390 - - - - - **Not to exceed** 410 = 460 1,430,852

**Taxable Capital** 390 - 460 - - - - - = 470 37,121,698

**Gross Revenue** (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)- 480 47,165,520

**Total Assets** (as adjusted) - - - - - From 430 45,524,452

**Calculation of Capital Tax for all Corporations except Financial Institutions**

*Note: This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004.*

*Financial Institutions use calculations on page 13.*

**Important:**

If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only **Section A below**.

**OR** If the corporation is **not** a member of an associated group and/or partnership, complete **Section B below**, then review only the Capital Tax calculations in **Section C on page 11**, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.

**OR** If the corporation is a member of an associated group and/or partnership, complete **Section B below** and **Section D on page 11**, and if applicable, complete **Section E or Section F on page 12**. Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.

**SECTION A**

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B.3018).

Enter NIL in 550 on page 12 and complete the return from that point.

**SECTION B**

**B1. Calculation of Taxable Capital Deduction (TCD) Number of Days in Taxation Year**

7,500,000	X	Days after Dec. 31, 2004 and before Jan. 1, 2006	÷	73	365	= +	501	
10,000,000	X	Days after Dec. 31, 2005 and before Jan. 1, 2007	÷	73	365	= +	502	10,000,000
12,500,000	X	Days after Dec. 31, 2006 and before Jan. 1, 2008	÷	73	365	= +	504	
15,000,000	X	Days after Dec. 31, 2007	÷	73	365	= +	505	
<b>Taxable Capital Deduction (TCD)</b>		501 + 502 + 504 + 505	=	503	10,000,000			

**B2. This section applies to corporations to calculate the prorated capital tax rate.**

**Calculation of Capital Tax Rate**

0.3%	X	Days before Jan. 1, 2007	÷	73	365	= +	511	0.3000 %
0.285%	X	Days after Dec. 31, 2006 and before Jan. 1, 2009	÷	73	365	= +	512	%
<b>Capital Tax Rate</b>		511 + 512	- - - - -	=	516	0.3000 %		

continued on Page 11

### Capital Tax Calculation *continued from Page 10*

## SECTION C

...s section applies if the corporation is **not** a member of an associated group and/or partnership.

**C1.** If  and  on page 10 are both \$3,000,000 or less, enter NIL in  on page 12 and complete the return from that point.

**C2.** If Taxable Capital in  is equal to or less than the TCD in , enter NIL in  on page 12 and complete the return from that point.

**C3.** If Taxable Capital in 470 exceeds the TCD in 503, complete the following calculation and transfer the amount from 523 to 543 on page 12, and complete the return from that point.

+ From  37,121,698

- From

=   From   % X From   % X   =+

Ontario Allocation      Capital Tax Rate      365 (366 if leap year)  
 If floating taxation year, refer to Guide.      Transfer to  on page 12 and complete the return from that point

## SECTION D

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either ☐ 509 or ☐ 524 and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

**D1.** ☐ **509** (X if applicable) All corporations that you are associated with do **not** have a permanent establishment in Canada.

If Taxable Capital  on page 10 is equal to or less than the TCD  on page 10, enter NIL in  on page 12 and complete the return from that point.

If Taxable Capital  on page 10 exceeds the TCD  on page 10, proceed to **Section E**, enter the TCD amount in  in Section E, and complete Section E and the return from that point.

**D2.** ☒ 524 (X if applicable) One or more of the corporations that you are associated with maintains a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

**D2. Calculation is on next page**

continued on Page 12



**Capital Tax Calculation** *continued from Page 11*

**Calculation** Do not complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 - - - - - + From 470 37,121,698

**Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada**

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada  
(if insufficient space, attach schedule)

Ontario Corporations Tax  
Account No. (MOF)  
(If applicable)

Taxation Year End

Taxable Capital

See schedule CT21 + 531 3,433,820  
+ 532                       
+ 533                       
Aggregate Taxable Capital 470 + 531 + 532 + 533, etc - - - - - = 540 40,555,518

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in 523 in section E below, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

From 470 37,121,698 ÷ From 540 40,555,518 X From 503 10,000,000 = 541 9,153,304  
Transfer to 542 in Section E below.

**Ss.69(2.1) Election Filed**

☐ 591 (X if applicable) **Election filed. Attach a copy of Schedule 591 with this CT23 Return.**  
Proceed to **Section F** below.

**SECTION E**

Section E applies if the corporation is a member of an associated group and/or partnership whose total aggregate Taxable Capital 540 above, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from 523 to 543, and complete the return from that point.

+ From 470 37,121,698  
- 542 9,153,304  
= 471 27,968,394 X From 30 100.0000 % X From 516 0.3000 % X 555 365 =+ 523 83,905  
Ontario Allocation Capital Tax Rate \*365 (366 if leap year) Days in taxation year  
Total Capital Tax for the taxation year  
Transfer to 543 and complete the return from that point

**SECTION F**

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

+ From 470 37,121,698 X From 30 100.0000 % X From 516 0.3000 % - - - =+ 561                       
Ontario Allocation Capital Tax Rate  
- Capital tax deduction from 995 relating to your corporation's Capital Tax deduction, on Schedule 591 - - - - - = 562                       
Capital Tax - - - - - 562 X 555 365 = 563                       
Days in taxation year \*365 (366 if leap year)  
Total Capital Tax for the taxation year  
Transfer to 543 and complete the return from that point

\* If floating taxation year, refer to Guide.

Capital Tax before application of specified credits - - - - - = 543 83,905  
Subtract: Specified Tax Credits applied to reduce capital tax payable (Refer to Guide) - - - - - - 546                       
Capital Tax 543 - 546 (amount cannot be negative) - - - - - = 550 83,905

Transfer to Page 17

continued on Page 13

**Capital Tax** *continued from Page 12*

**Calculation of Capital Tax for Financial Institutions**

**1.1. Credit Unions only**

For taxation years commencing **after May 4, 1999** enter NIL in  on page 12, and complete the return from that point.

**1.2. Other than Credit Unions**

*(Retain details of calculations for amounts in boxes  and . Do not submit with this tax return.)*

<input type="text" value="565"/>	X	<input type="text" value="567"/>	% X From <input type="text" value="30"/>	<input type="text" value="100.0000"/>	% X <input type="text" value="555"/>	<input type="text" value="365"/>	= +	<input type="text" value="569"/>
Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1		Capital Tax Rate (1) <i>(Refer to Guide)</i>		Ontario Allocation	Days in taxation year *365 (366 if leap year)			
<input type="text" value="570"/>	X	<input type="text" value="571"/>	% X From <input type="text" value="30"/>	<input type="text" value="100.0000"/>	% X <input type="text" value="555"/>	<input type="text" value="365"/>	= +	<input type="text" value="574"/>
Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount		Capital Tax Rate (2) <i>(Refer to Guide)</i>		Ontario Allocation	Days in taxation year *365 (366 if leap year)			

**Capital Tax for Financial Institutions - other than Credit Unions (before Section 2)**  +  - - - - - =

\* If floating taxation year, refer to Guide.

**2 Small Business Investment Tax Credit**

*Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)*

Allowable Credit for Eligible Investments - - - - -

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X) ☐ Yes

**Capital Tax - Financial Institutions**  -  - - - - - =

Transfer to  on Page 12

**Premium Tax (s.74.2 & 74.3)** *(Refer to Guide)*

(1) Uninsured Benefits Arrangements - - - - -  X 2% - - - - - =

**Applies** to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in  and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in .)

**Applies** to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

**Deduct:** Specified Tax Credits applied to reduce premium tax *(Refer to Guide)* - - - - -

**Premium Tax**  -  - - - - - =

Transfer to page 17

Corporation's Legal Name  
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)  
1800262

Taxation Year End  
2006/12/31

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DOLLARS ONLY

**Reconcile net income (loss) for federal income tax purposes with net income (loss)  
for Ontario purposes if amounts differ**

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 - - - - - + 600 1,921,918.  
Transfer to Page 15

**Add:**

Federal capital cost allowance - - - - -	+ 601	1,902,072	•
Federal cumulative eligible capital deduction - - - - -	+ 602	61,955	•
Ontario taxable capital gain - - - - -	+ 603		•
Federal non-allowable reserves. Balance beginning of year - - - - -	+ 604		•
Federal allowable reserves. Balance end of year - - - - -	+ 605		•
Ontario non-allowable reserves. Balance end of year - - - - -	+ 606		•
Ontario allowable reserves. Balance beginning of year - - - - -	+ 607		•
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE) - - - - -	+ 608		•
Federal resource allowance (Refer to Guide) - - - - -	+ 609		•
Federal depletion allowance - - - - -	+ 610		•
Federal foreign exploration and development expenses - - - - -	+ 611		•
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide) - - - - -	+ 617		•
Management fees, rents, royalties and similar payments to non-arm's length non-residents ▼			

**Number of Days in Taxation Year**

612 • X  $\frac{5}{12.5}$  x 

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
33	365

 ÷ 73 = + 633 •

612 • X  $\frac{5}{14.0}$  x 

Days after Dec. 31, 2003	Total Days
34	365

 ÷ 73 = + 634 •

Total add-back amount for Management fees, etc. 633 + 634 = + 613 •

Arational Scientific Research Expenses claimed in year from line 460 of fed. form T661  
excluding any negative amount in 473 from Ont. CT23 Schedule 161 - - - - - + 615 •

Add any negative amount in 473 from Ont. CT23 Schedule 161 - - - - - + 616 27,781 •

Federal allowable business investment loss - - - - - + 620 •

Total of other items not allowed by Ontario but allowed federally (Attach schedule) - - - + 614 •

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 1,991,808 • 640 1,991,808.

**Deduct:**

Ontario capital cost allowance (excludes amounts deducted under 675) - - - - -	+ 650	1,902,072	•
Ontario cumulative eligible capital deduction - - - - -	+ 651	61,955	•
Federal taxable capital gain - - - - -	+ 652		•
Ontario non-allowable reserves. Balance beginning of year - - - - -	+ 653		•
Ontario allowable reserves. Balance end of year - - - - -	+ 654		•
Federal non-allowable reserves. Balance end of year - - - - -	+ 655		•
Federal allowable reserves. Balance beginning of year - - - - -	+ 656		•
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.) - - - - -	+ 657		•
Ontario depletion allowance - - - - -	+ 658		•
Ontario resource allowance (Refer to Guide) - - - - -	+ 659		•
Ontario current cost adjustment (Attach schedule) - - - - -	+ 661		•
CCA on assets used to generate electricity from natural gas, alternative or renewable resources. - - - - -	+ 675		•

Subtotal of deductions for this page 650 to 659 + 661 + 675 - - - - - = 681 1,964,027 •

Transfer to Page 15

continued on Page 15

**Reconcile net income (loss) for federal income tax purposes with net income (loss)  
for Ontario purposes if amounts differ**

*nued from Page 14*

Net Income (loss) for federal income tax purposes, per federal Schedule 1 - - - - - From ± **600** 1,921,918 ●  
Total of Additions on page 14 - - - - - From = **640** 1,991,808 ●  
Sub Total of deductions on page 14 - - - - - From = **681** 1,964,027 ●

**Deduct:**

**Ontario New Technology Tax Incentive (ONTTI) Gross-up**

(Applies only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario)(CCA) on prescribed qualifying  
intellectual property deducted in the current taxation year - - **662** ●

**ONTTI Gross-up deduction calculation:**

From <b>662</b> ●	Gross-up of CCA	X	100	- From <b>662</b> ●	=	<b>663</b> ●
	From <b>30</b> <u>100.0000</u>					
	Ontario allocation					

**Workplace Child Care Tax Incentive (WCCT)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: <b>665</b> ●	X 30% X	100	=	<b>666</b> ●
	From <b>30</b> <u>100.0000</u>			
	Ontario allocation			

**Workplace Accessibility Tax Incentive (WATI)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: <b>667</b> ●	X 100% X	100	=	<b>668</b> ●
	From <b>30</b> <u>100.0000</u>			
	Ontario allocation			

Number of  
Employees accommodated **669** ●

**Ontario School Bus Safety Tax Incentive (OSBSTI)**

(Applies to the eligible acquisition of school  
buses purchased after May 4, 1999 and before January 1, 2006.)(Refer to Guide)

Qualifying expenditures: <b>670</b> ●	X 30% X	100	=	<b>671</b> ●
	From <b>30</b> <u>100.0000</u>			
	Ontario allocation			

**Educational Technology Tax Incentive (ETTI)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: <b>672</b> ●	X 15% X	100	=	<b>673</b> ●
	From <b>30</b> <u>100.0000</u>			
	Ontario allocation			

Ontario allowable business investment loss - - - - - + **678** ●

Ontario Scientific Research Expenses claimed in year in **477**  
from Ont. CT23 Schedule 161 - - - - - + **679** ●

Amount added to income federally for an amount that was negative on federal  
form T661, line 454 or 455 (if filed after June 30, 2003) - - - - - + **677** 27,781 ●

Total of other deductions allowed by Ontario (Attach schedule) - - - - - + **664** ●

**Total of Deductions**

**681** + **663** + **666** + **668** + **671** + **673** + **678** + **679** + **677** + **664** - - - - - = 1,991,808 ● **680** 1,991,808 ●

**Net income (loss) for Ontario Purposes**

**600** + **640** - **680** - - - - - = **690** 1,921,918 ●

*Transfer to Page 4*

Corporation's Legal Name  
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)  
1800262

Taxation Year End  
2006/12/31

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DOLLARS ONLY

## Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
<b>Balance at Beginning of Year</b>	700 (2)	710 (2)	720 (2)	730	740	750
<b>Add:</b>						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
<b>Subtotal</b>	703	713	723	733	743	753
<b>Subtract:</b>						
Utilized during the year to reduce taxable income	704 (2)	715 (2)(4)	724 (2)	734 (2)(4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
<b>Subtotal</b>	707	717	727	737	747	757
<b>Balance at End of Year</b>	709 (8) <NIL>	719 <NIL>	729 <NIL>	739 <NIL>	749 <NIL>	759 <NIL>

## Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
90 9th preceding taxation year 1997/12/31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1998/12/31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 1999/12/31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2000/12/31	820	830	840	853	873
804 5th preceding taxation year 2001/12/31	821	831	841	854	874
805 4th preceding taxation year 2002/12/31	822	832	842	855	875
806 3rd preceding taxation year 2003/12/31	823	833	843	856	876
807 2nd preceding taxation year 2004/12/31	824	834	844	857	877
808 1st preceding taxation year 2005/12/31	825	835	845	858	878
809 Current taxation year 2006/12/31	826	836	846	859	879
<b>Total</b>	829 <NIL>	839 <NIL>	849 <NIL>	869 <NIL>	889 <NIL>

### Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.  
Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.

- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

Corporation's Legal Name

HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)

1800262

Taxation Year End

2006/12/31

DOLLARS ONLY

**Request for Loss Carry-Back (s.80(16))**

**Applies** to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

● If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.

● Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.

● Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance.**

● Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.

● The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:

- 1) the first day of the taxation year after the loss year,
- 2) the day on which the corporation's return for the loss year is delivered to the Minister, or
- 3) the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.

● If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

**Application of Losses**

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
<b>Total amount of loss</b>	910	920	930	940
<b>Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income</b>				
Predecessor Ontario Corporations's Tax Account No. (MOF)				
Taxation Year Ending year month day				
i) 3rd preceding 901 2003/12/31	911	921	931	941
ii) 2nd preceding 902 2004/12/31	912	922	932	942
iii) 1st preceding 903 2005/12/31	913	923	933	943
<b>Total loss to be carried back</b>	From 706	From 716	From 726	From 736
<b>Balance of loss available for carry-forward</b>	919	929	939	949

**Summary**

Income Tax - - - - + From 230 or 320 259,069 ●

Corporate Minimum Tax - - - - + From 280 ●

Capital Tax - - - - - + From 550 83,905 ●

Premium Tax - - - - - + From 590 ●

**Total Tax Payable** - - - - - = 950 342,974 ●

Subtract: Payments - - - - - - 960 474,872 ●

Capital Gains Refund (s.48) - - - - - - 965 ●

Qualifying Environmental Trust Tax Credit (Refer to Guide) - - - - - - 985 ●

Specified Tax Credits (Refer to Guide) - - - - - - 955 ●

**Balance** - - - - - - = 970 -131,898 ●

If payment due - - - - - Enclosed\* 990 ●

If overpayment: Refund(Refer to Guide) = 975 131,898 ●  
year month day

Apply to 980 ●  
(Includes credit interest)

\* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance**.  
† print your Ontario Corporation's Tax Account No. (MOF) on the back of the cheque or money order. (Refer to Guide for other payment methods.)

**Certification**

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (please print)

ARTHUR SKIDMORE

Title

CHIEF FINANCIAL OFFICER

Full Residence Address

43 ALICE STREET

ACTON

ON

L7J2A9

Signature

Date

30/06/2007

**Note:** Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Corporate Minimum Tax (CMT)  
CT23 Schedule 101

Page 1 of 3

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
TON HILLS HYDRO INC.	1800262	2006/12/31

Part 1: Calculation of CMT Base

**Banks** - Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

**Life Insurance corporations** - Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d)

Net Income/Loss (unconsolidated, determined in accordance with GAAP) - - - - - + 2100 1,165,491

**Subtract (to the extent reflected in net income/loss):**

Provision for recovery of income taxes / benefit of current income taxes - - + 2101  
Provision for deferred income taxes (credits) / benefit of future income taxes + 2102  
Equity income from corporations - - - - - + 2103  
Share of partnership(s)/joint venture(s) income - - - - - + 2104  
Dividends received/receivable deductible under fed.s.112 - - - - - + 2105  
Dividends received/receivable deductible under fed.s.113 - - - - - + 2106  
Dividends received/receivable deductible under fed.s.83(2) - - - - - + 2107  
Dividends received/receivable deductible under fed.s.138(6) - - - - - + 2108  
Federal Part VI.1 tax paid on dividends declared and paid,  
under fed.s.191.1(1) X 3 - - + 2109

**Subtotal** - - - - - = 2110

**Add (to extent reflected in net income/loss):**

Provision for current taxes / cost of current income taxes - - - - - + 2111 729,801  
Provision for deferred income taxes (debits) / cost of future income taxes - - + 2112  
Equity losses from corporations - - - - - + 2113  
Share of partnership(s)/joint venture(s) losses - - - - - + 2114  
Dividends that have been deducted to arrive at net income per Financial Statements  
s.57.4(1.1) (excluding dividends under fed.s.137(4.1)) - - - - - + 2115

**otal** - - - - - = 729,801 + 2116 729,801

**Add/Subtract:**

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years

\*\* Fed. s.85 - - - - - + 2117 or - 2118  
\*\* Fed. s.85.1 - - - - - + 2119 or - 2120  
\*\* Fed. s.97 - - - - - + 2121 or - 2122

\*\* Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years + 2123 or - 2124

\*\* Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years + 2125 or - 2126

\*\* Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years - - - - - + 2127 or - 2128

Interest allowable under ss. 20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income - 2150

Capital gains on eligible donations of publicly-listed securities and ecologically sensitive land made after May 1, 2006 (to the extent reflected in net income/loss) - 2155

**Subtotal (Additions)** - - - - - = + 2129

**Subtotal (Subtractions)** - - - - - = 2130

\*\* Other adjustments - - - - - + 2131

**Subtotal** ± 2100 - 2110 + 2116 + 2129 - 2130 + 2131 = 2132 1,895,292

\*\* Share of partnership(s)/joint venture(s) adjusted net income/loss - - - - - + 2133

**Adjusted net income (loss)** (if loss, transfer to 2202 in **Part 2: Continuity of CMT Losses Carried Forward.**) = 2134 1,895,292

Deduct \* CMT losses: pre-1994 Loss - - - - - + From 2210

\* CMT losses: other eligible losses - - - - - + 2211

= 2135

\* CMT losses applied cannot exceed adjusted net income or increase a loss

\*\* Retain calculations. Do not submit with this schedule.

**CMT Base** - - - - - = 2136 1,895,292

**Corporate Minimum Tax (CMT)  
CT23 Schedule 101**

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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**Part 2: Continuity of CMT Losses Carried Forward**

<b>Balance at Beginning of year</b> NOTES (1) , (2)	- - - - -	+	2201	_____
<b>Add:</b>				
Current year's losses	- - - - -	+	2202	_____
Losses from predecessor corporations on amalgamation NOTE (3)	- - - - -	+	2203	_____
Losses from predecessor corporations on wind-up NOTE (3)	- - - - -	+	2204	_____
Amalgamation ( X ) 2205 <input type="checkbox"/> Yes Wind-up ( X ) 2206 <input type="checkbox"/> Yes				
<b>Subtotal</b>	- - - - -	=		_____ ▶ + 2207 _____
Adjustments (attach schedule)	- - - - -	+	2208	_____
<b>CMT losses available</b>	2201 + 2207 + 2208	=	2209	_____
<b>Subtract:</b> Pre-1994 loss utilized during the year to reduce adjusted net income	- - - - -	+	2210	_____
Other eligible losses utilized during the year to reduce adjusted net income NOTE (4)	- - - - -	+	2211	_____
Losses expired during the year	- - - - -	+	2212	_____
<b>Subtotal</b>	- - - - -	=		_____ ▶ - 2213 _____
<b>Balances at End of Year</b> NOTE (5)	2209 - 2213	=	2214	_____

**Notes:**

- |   |  |
|---|--|
| (1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss. | (3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9)) |
| (2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and s.57.5(7))            | (4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.   |
|   | (5) Amount in 2214 must equal sum of 2270 + 2290.  |

**Part 3: Analysis of CMT Losses Year End Balance by Year of Origin**

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations	
2240	1997/12/31	2260	2280	
2241	1998/12/31	2261	2281	
2242	1999/12/31	2262	2282	
2243	2000/12/31	2263	2283	
2244	2001/12/31	2264	2284	
2245	2002/12/31	2265	2285	
2246	2003/12/31	2266	2286	
2247	2004/12/31	2267	2287	
2248	2005/12/31	2268	2288	
2249	2006/12/31	2269	2289	
<b>Totals</b>		2270	2290	<b>The sum of amounts 2270 + 2290 must equal amount in 2214 .</b>



**Corporate Minimum Tax (CMT)  
CT23 Schedule 101**

Page 3 of 3

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2006/12/31

**Part 4: Continuity of CMT Credit Carryovers****Balance at Beginning of year** NOTE (1) - - - - - + [2301] \_\_\_\_\_**Add:** Current year's CMT credit ( [280] on page 8 of the CT23 or  
[347] on page 6 of the CT8. If negative, enter NIL) - - - - - + From [280] or [347] \_\_\_\_\_**Gross Special Additional Tax** NOTE (2) [312] on page 5 of CT8.  
(Life Insurance corporations only. Others enter NIL.) + From [312] \_\_\_\_\_**Subtract Income Tax**  
( [190] on page 6 of the CT23 or page 4 of the CT8) - From [190] 269,069 \_\_\_\_\_**Subtotal** (If negative, enter NIL) - - - - - = [2305] \_\_\_\_\_

Current year's CMT credit (if negative, enter NIL) [280] or [347] - [2305] - - - - - = + [2310] \_\_\_\_\_

**CMT Credit Carryovers from predecessor corporations** NOTE (3) - - - - - + [2325] \_\_\_\_\_Amalgamation ( X ) [2315] ☐ Yes Wind-up ( X ) [2320] ☐ Yes**Subtotal** [2301] + [2310] + [2325] - - - - - = [2330] \_\_\_\_\_**Adjustments (Attach schedule)** - - - - - + [2332] \_\_\_\_\_**CMT Credit Carryover available** [2330] + [2332] - - - - - = [2333] \_\_\_\_\_

Transfer to Page 8 of the CT23 or Page 6 of the CT8

**Subtract:** CMT Credit utilized during the year to reduce income tax  
( [310] on page 8 of the CT23 or [351] on page 6 of the CT8.) + From [310] or [351] \_\_\_\_\_

CMT Credit expired during the year - - - - - + [2334] \_\_\_\_\_

**Subtotal** - - - - - = [2335] \_\_\_\_\_**Balance at End of Year** NOTE (4) [2333] - [2335] - - - - - = [2336] \_\_\_\_\_**Notes:**

- (1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))
- (2) The CMT credit of life insurance corporations can be restricted (see s.43.1(3)(b)).
- (3) Include and indicate whether CMT credits are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.43.1(4))
- (4) Amount in [2336] must equal sum of [2370] + [2390] .

**Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin**

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
[2340]	1997/12/31	[2360]	[2380]
[2341]	1998/12/31	[2361]	[2381]
[2342]	1999/12/31	[2362]	[2382]
[2343]	2000/12/31	[2363]	[2383]
[2344]	2001/12/31	[2364]	[2384]
[2345]	2002/12/31	[2365]	[2385]
[2346]	2003/12/31	[2366]	[2386]
[2347]	2004/12/31	[2367]	[2387]
	2005/12/31	[2368]	[2388]
[2349]	2006/12/31	[2369]	[2389]
<b>Totals</b>		[2370]	[2390]

**The sum of amounts** [2370] + [2390]  
**must equal amount in** [2336] .

## CAPITAL COST ALLOWANCE (CCA)

## SCHEDULE 8 - Ontario

Corporation's Legal Name HALTON HILLS HYDRO INC.		Ontario Corporations Tax Account No. (MOF) 1800262		Taxation Year End 2006/12/31	
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Is the corporation electing under regulation 1101(5q)?

1 Yes ☐2 No ☒

1 Class no.	Description	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Ontario capital cost allowance (column 8 multiplied by column 9, or a lower amount)	11 Ontario undepreciated capital cost at the end of the year (column 6 minus column 10)
1.0	Dist'n Syst	20,712,394				20,712,394		20,712,394	4.0	828,496	19,883,898
1.0	Buildings &	2,290,038	29,799			2,319,837	14,900	2,304,937	4.0	92,197	2,227,640
8.0	Major Tools	169,599	50,897			220,496	25,449	195,047	20.0	39,009	191,487
8.0	Office Equi	160,398	44,033			204,431	22,017	182,414	20.0	36,483	167,948
8.0	Stores Equi	20,366	2,144			22,510	1,072	21,438	20.0	4,288	18,222
10.0	Computer Ha	158,266				158,266		158,266	30.0	47,480	110,786
10.0	Fleet	458,204	52,428			510,632	26,214	484,418	30.0	145,325	365,307
12.0	Computer So	13,650	204,394			218,044		218,044	100.	218,044	<NIL>
8.0	Scada comm	160,505				160,505		160,505	20.0	32,101	128,404
46.0	Scada comm	25,773	97,487			123,260	48,744	74,516	30.0	22,355	100,905
45.0	Computer ha	93,511	149,217			242,728	74,609	168,119	45.0	75,654	167,074
43.1	Conservatn	65,464	612,620			678,084	306,310	371,774	30.0	111,532	566,552
49.0	Electricity	2,100,123	2,027,456			4,127,579	1,013,728	3,113,851	8.0	249,108	3,878,471
Totals		26,428,291	3,270,475			29,698,766	1,533,043	28,165,723		1,902,072	27,796,694

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.



Ontario

Ministry of Finance  
Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

CAPITAL COST / JWANCE (CCA)

SCHEDULE 8SUM - Ontario

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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Is the corporation electing under regulation 1101(5q)?

1 Yes ☐

2 No ☒

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9, or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
reg	26,428,291	3,270,475			29,698,766	1,533,043	28,165,723				1,902,072	27,796,694
10.1												
13												
14												
24												
27												
29												
34												
43.3												
Rental												
Totals											1,902,072	

**Note 1.** Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

**Note 2.** The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

**Note 3.** If the taxation year is shorter than 365 days, prorate the CCA claim.

**Note 4.** Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Enter in boxes 650 . . . . . 650 . . . . . 650 on the CT23.

Corporation's Legal Name  HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF)  1800262	Taxation Year End  2006/12/31
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- For use by a corporation that has eligible capital property.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 - Calculation of current year deduction and carry-forward**

Ontario Cumulative eligible capital - balance at end of preceding taxation year (if negative, enter zero) ..... = + 885,066 **A**

**Add:** Cost of eligible capital property acquired during the taxation year ..... + ..... **B**  
Other adjustments ..... + ..... **C**  
**B + C** ..... = ..... x 3/4 = ..... **D**  
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002. .... x 1/2 = - ..... **E**  
**D minus E (if negative, enter zero)** ..... = ..... **F**  
Amount transferred on amalgamation or wind-up of subsidiary. .... + ..... **G**  
**Subtotal A + F + G** ..... = 885,066 **H**

**Deduct:** Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year ..... + ..... **I**  
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the *Income Tax Act* (Canada) ..... + ..... **J**  
Other adjustments ..... + ..... **K**  
**I + J + K** ..... = ..... x 3/4 = ..... = - ..... **L**  
**Ontario cumulative eligible capital balance H minus L** ..... = 885,066 **M**

*If M is negative, enter zero at line Q and proceed to Part 2, page 2.*

Cumulative eligible capital for a property no longer owned after ceasing to carry on that business ..... **N**  
From **M** 885,066  
From **N** - .....  
**Current year deduction M minus N** ..... = 885,066 x 7% = + 61,955 **O**  
**N + O** ..... = 61,955 **P**

**Note:** The maximum current year deduction is 7%. Any amount up to the maximum deduction of 7% may be claimed. For taxation years starting after December 21, 2000, the deduction may not exceed the maximum amount prorated for the number of days in the taxation year divided by 365 or 366 days.

Enter amount in box 651 of the CT23

Ontario cumulative eligible capital - closing balance M minus P (if negative, enter zero) ..... = 823,111 **Q**

See page 2 - Part 2

**Ontario Cumulative Eligible Capital Deduction  
Schedule 10 Page 2 of 2**

Corporation's Legal Name  TON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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**Part 2 - Amount to be included in income arising from disposition**

*Complete this part only if the amount at line M is negative.*

Amount from line M above. <i>Show this as a positive amount; not negative.</i>			<b>R</b>
Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988	+		<b>1</b>
Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA	+		<b>2</b>
Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988	+		<b>3</b>
Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988	-		<b>4</b>
<b>Deduct line 4 from line 3 (if negative, enter zero)</b>	=	▶+	<b>5</b>
<b>Total lines 1 + 2 + 5</b>	=		<b>6</b>
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 1			<b>7</b>
Amounts at <b>Line Z</b> from Ontario Schedule 10 of previous taxation years ending after February 27, 2000 ( <i>This will be Line T in earlier versions of this schedule.</i> )	+		<b>8</b>
<b>Total lines 7 + 8</b>	=	▶-	<b>9</b>
<b>Deduct line 9 from line 6 (if negative, enter zero)</b>	=	▶-	<b>S</b>
<b>R minus S (if negative, enter zero)</b>		=	<b>T</b>
From Line 5	X 1/2	=	<b>U</b>
<b>T minus U (if negative, enter zero)</b>		=	<b>V</b>
From V	X 2/3	=	<b>W</b>
<b>Lesser of R and S</b>	=	+	<b>Z</b>
<b>Amount to be included in income W + Z</b>	=		

## Corporate Minimum Tax - Associated Corporations

poration's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2006/12/31

Name of Associated Corporation (Canadian and Foreign)	Corporations Tax Number	Taxation Year End	Total Assets	Total Revenue
HALTON HILLS HYDRO INC.	1800262	2006/12/31	45,524,452	47,165,520
HALTON HILLS FIBRE OPTICS	1800329	2006/12/31	3,648,224	1,148,403
SOUTHWESTERN ENERGY INC.	1800261	2006/12/31	651,989	584,906
HALTON HILLS ENERGY INC.	6094233	2006/12/31	1,081	
HALTON HILLS ENERGY SERVIC	8238060	2006/12/31	1,440,335	682,919
Totals			51,266,081	49,581,748

Transfer to **249** of the CT23      Transfer to **250** of the CT23



Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

(Applicable to an associated group that has a permanent establishment in Canada)  
**Schedule CT21**

Aggregate of taxable capital	40,555,518
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Transfer to box 540 of the CT23



Ministry of Finance

Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

Ontario Scientific Research and  
Experimental Development Expenditures  
CT23 Schedule 161

Page 1 of 5

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2006/12/31

This schedule is used to calculate Ontario Scientific Research and Experimental Development Expenditures (SR & ED). The rules used in the calculation of Ontario SR & ED follow the federal rules with the exception of the new Ontario measure introduced in the 2001 Ontario Budget and implemented in Bill 127 which received Royal Assent on December 5, 2001.

This schedule must be completed by all corporations performing qualified Ontario SR & ED in a "specified taxation year" or in the taxation year immediately preceding the first specified taxation year of the corporation and filed with the current CT23 or CT8. Other corporations may use this schedule, if they have claimed or are claiming a different SR & ED amount for Ontario than for federal income tax purposes.

• **"Specified Taxation Year" (STY)** is the taxation year of the corporation that begins after February 29, 2000 and ends after December 31, 2000.

• **"Investment Tax Credit Amount" (ITC)** means, in respect of a corporation for a taxation year, an amount deducted by the corporation for a preceding taxation year under subsection 127(5) or (6) of the *Income Tax Act* (Canada) (ITA).

• **"Qualified Ontario SR & ED Expenditure" (QORD)** means,

- A. A qualified expenditure within the meaning of subsection 12(1) of the *Corporations Tax Act* (CTA) that is made or incurred by a corporation in a STY or in the taxation year immediately preceding the first STY of corporation, or
- B. An expenditure made or incurred by a partnership in a fiscal period that ends in a STY of a corporation if,
  - the corporation is member of the partnership at any time in the STY, and
  - the expenditure would be a qualified expenditure within the meaning of subsection 12(1) of the CTA if it were made by a corporation.

• **"Ontario Allocation Factor" (OAF)** has the meaning given to that expression by subsection 12(1) of the CTA.

• If a corporation includes a federal ITC amount in determining the amount of the Ontario pool of deductible SR & ED expenditures for a STY, the following amounts are adjusted by the OAF:

- Amount of recaptured federal ITC relating to QORD for property disposed of in the preceding taxation year in  on page 2.
- Amount of federal ITC relating to QORD claimed federally in the preceding taxation year(s) in  on page 2.
- Amount of federal ITC relating to QORD allocated from partnerships in the current taxation year in  on page 2.

• Federal ITCs earned on shared-use equipment (SUE) reduce the capital cost of the property acquired for federal and Ontario income tax purposes in the taxation year after the taxation year in which the ITC is claimed federally. The amount of the federal ITC that relates to QORD on SUE is added to the SR & ED pool for Ontario purposes in the taxation year after the taxation year in which the ITC is claimed federally.



**Ontario Scientific Research and  
Experimental Development Expenditures**  
CT23 Schedule 161

Page 2 of 5

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
ELTON HILLS HYDRO INC.	1800262	2006/12/31

**Ontario Pool of Deductible SR & ED Expenditures for the current taxation year**

Total allowable SR & ED expenditures (capital and current)

(From line 400 federal T661 (T2 SCH32)) ..... + 400 .....

**Less: Government and non-government assistance**

(Form line 430 federal T661 (T2 SCH32)) ..... - 430 .....

Preceding year's amount of federal ITC claimed for SR & ED

(From line 435 federal T661 (T2 SCH32)) ..... - 435 27,781 .....

Sale of SR & ED capital assets and other deductions

(From line 440 federal T661 (T2 SCH32)) ..... - 440 .....

Amount of recaptured federal ITC (From line 453 federal T661 (T2 SCH32))  
relating to QORD for property disposed of in the preceding taxation year

442 .....

Gross-up for Ontario allocation factor

From 442 ..... + 100.0000 % = 444 .....

(From 30 of the CT23 or CT8)

**Subtotal:** 400 - 430 - 435 - 440 - 444 ..... = 445 -27,781 .....

**Add: Repayments of government and non-government assistance**

(From line 445 federal T661 (T2 SCH32)) ..... + 446 .....

SR & ED expenditure pool transferred on amalgamation or wind-up

(From line 452 federal T661 (T2 SCH32)) ..... + 452 .....

Amount of federal ITC recaptured in the preceding taxation year

(From line 453 federal T661 (T2 SCH32)) ..... + 453 .....

Preceding year's balance in pool of deductible Ontario SR & ED expenditures

(From 480 of the preceding taxation year) ..... + 460 .....

Federal ITC relating to QORD claimed federally in the preceding taxation year(s) + 462 .....

(From 575 on Page 3)

Amount of federal ITC relating to QORD allocated from partnerships

in the current taxation year ..... + 465 .....

Subtotal 462 + 465 ..... = 468 .....

Gross-up for Ontario allocation factor

From 468 ..... + 100.0000 % = 470 .....

(From 30 of the CT23 or CT8)

**Subtotal** 445 + 446 + 452 + 453 + 460 + 470

(If the amount in 473 is negative, enter zero, in 475, 477 and add 473 to 615 of the 2002 CT23 or CT8,

or 616 of the 2003 or later CT23 or CT8.

If the amount in 473 is positive, enter the amount in 475 ..... = 473 -27,781 .....

**Amount available for deduction** ..... = 475 .....

**Deduction claimed in the taxation year for Ontario**

(Enter the SR & ED expenditure pool deduction claimed in the taxation year in 679 of the CT23 or CT8) ..... - 477 .....

**Ontario current taxation year closing balance**

in pool of deductible SR & ED expenditures 475 - 477 ..... = 480 .....

(Transfer this amount to 460 as the carry  
forward amount for the next taxation year.)

**Ontario Scientific Research and  
Experimental Development Expenditures**  
CT23 Schedule 161

Page 3 of 5

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
LTON HILLS HYDRO INC.	1800262	2006/12/31

**Calculation of Preceding Taxation Year Amount and Account Balances - Federal ITC from SR & ED Expenditures relating to QORD.**

- This page is used to calculate the amount of the federal ITC that relates to SR & ED performed in Ontario for certain taxation years and is used to increase the amount of the Ontario SR & ED pool on page 2.
- All amounts on this page are based on the preceding taxation year since the amount of the federal ITC that relates to QORD can only be used to increase the Ontario pool for SR & ED in the current taxation year if there was a federal ITC claimed for federal purposes in the preceding taxation year that related to QORD.
- **Do not include amounts** of federal ITCs that relate to QORD that were **allocated from a partnership**. These amounts are added to your SR & ED pool for Ontario in the taxation year that they are allocated from a partnership to a corporation, not in the year after they are claimed federally.

**Opening Balance:**

(Enter amount  from Schedule 161 of the preceding taxation year, if any) - - - - - +

**Add:** Amount of federal ITC earned, relating to QORD

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - +

Amount of federal ITC earned, relating to QORD, transferred on amalgamation or wind-up

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - +

**Subtotal:**  +  +  - - - - - =

**Deduct:** Amount of federal ITC, relating to QORD, claimed federally

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - +

Amount of federal ITC, relating to QORD, carried back federally to a preceding taxation year(s)

(QORD portion of line P federal T2 SCH31 for the preceding taxation year) - - - - - +

A refund of federal ITC, relating to QORD, claimed federally

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - +

Amount of federal ITC, relating to QORD, deemed as a remittance of co-op corporations

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - +

**Subtotal:**  +  +  +  - - - - - =

(Transfer this amount to  on Page 2)

**Deduct:** Amount of federal ITC, relating to QORD, expired per the ITA after 10 taxation years

(QORD portion of line  federal T2 SCH31 for the preceding taxation year) - - - - - -

**Closing Balance:**  -  -  - - - - - =

(Transfer this amount to  as the opening balance for the next taxation year.)

**Ontario Scientific Research and  
Experimental Development Expenditures  
CT23 Schedule 161**

Page 4 of 5

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
LTON HILLS HYDRO INC.	1800262	2006/12/31

**Continuity Schedule for Federal ITC relating to SR & ED Expenditures for the Preceding Taxation Year**

- All amounts on this page are based on the preceding taxation year.
- Amounts on this page should tie into Part 12 of federal T2 SCH31 completed for the preceding taxation year.

Yr. of Origin (Oldest yr. first) yyyy mm dd	Opening Balance	Additions	Deductions (other than amounts that were allocated from a partnership)	Deductions (only amounts that were allocated from a partnership)	Closing Balance
1996/12/31					
1997/12/31					
1998/12/31					
1999/12/31					
2000/12/31					
2001/12/31					
2002/12/31					
2003/12/31					
2004/12/31					
2005/12/31					
.als (See note 1, 2 and 3)	725	740	755	770	785

**Notes:**

- 1.The amount in 725 should equal the amount of the investment tax credit at the end of the preceding taxation year less line 515 in Part 12 of the federal T2 SCH31 for the preceding taxation year.
- 2.The amount in 785 should equal the closing balance in line 620 in Part 12 of the federal T2 SCH31 for the preceding taxation year.
- 3.It is important that the amounts in the deductions columns on this page correctly reflect the year of origin of the federal ITC claimed because only amounts relating to QORD can be used to increase the Ontario SR & ED pool.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
WATON HILLS HYDRO INC.	1800262	2006/12/31

Continuity Schedule for the Amount of Federal ITC from SR & ED Expenditures relating to QORD for  
 the Preceding Taxation Year

- This page is required to record the amount of the ITC that relates to QORD by year of origin.
- All amounts on this page are based on the preceding taxation year.
- Do not include amounts of federal ITCs that relate to QORD that were **allocated from a partnership** (see text at the top of page 3).

Yr. of Origin (Oldest yr. first) yyyy mm dd	Opening Balance	Additions	Deductions	Closing Balance
1996/12/31				
1997/12/31				
1998/12/31				
1999/12/31				
2000/12/31				
2001/12/31				
2002/12/31				
2003/12/31				
2004/12/31				
2005/12/31				
Totals (See note 1 - 6)	825	840	855	870

Notes:

- 1.The amount in 825 should equal 500 on page 3.
- 2.The amount in 840 should equal the total of 510 and 520 on page 3.
- 3.The amount in 855 should equal 575 on page 3.
- 4.The amount in 870 should equal 590 on page 3.
- 5.Any deductions that are recorded in the deduction column on this page must be taken out of the same year of origin as indicated in the deduction column on page 4. These deductions must be related to QORD and must not have been allocated from a partnership.
- 6.The amount of federal ITC relating to QORD will expire if the federal ITC it relates to expires before it is claimed federally.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 100  
Page 1 of 3

### Balance Sheet Information

#### Assets

Description	GIFI	Amount	Prior year
<b>Current assets</b>			
Cash .....	1001	1,000	1,000
Deposits in Canadian banks and institutions - Canadian currency .....	1002	1,599,010	2,084,729
Trade accounts receivable .....	1062	9,071,986	8,502,692
Allowance for doubtful trade accounts receivable .....	1063	89,550	103,537
Trade accounts receivable from related parties .....	1064	64,092	237,900
Taxes receivable .....	1066	3,075	233,068
Interest receivable .....	1067	9,332	8,565
Holdbacks receivable .....	1068	1,710	7,857
Accounts receivable from employees .....	1071	19,327	22,013
Inventory parts and supplies .....	1122	1,087,028	995,697
Loans/advances due from related parties .....	1403	1,341,153	1,334,080
Prepaid expenses .....	1484	248,551	286,144
<b>Total current assets</b> .....	<b>1599</b>	<b>13,356,714</b>	<b>13,610,208</b>

#### Capital assets

Land improvements .....	1601	354,871	354,871
Manufacturing and processing plant .....	1682	2,840,621	2,810,822
Accumulated amortization of manufacturing and processing plant .....	1683	342,582	282,802
Motor vehicles .....	1742	1,433,315	1,405,395
Accumulated amortization of motor vehicles .....	1743	1,003,043	884,050
Tools and dies .....	1744	412,228	361,331
Accumulated amortization of tools and dies .....	1745	213,689	182,247
Small tools .....	1770	53,151	51,007
Accumulated amortization of small tools .....	1771	33,237	27,861
Radio and communication equipment .....	1772	609,098	511,611
Accumulated amortization of radio and communication equipment .....	1773	171,709	132,933
Computer equipment/software .....	1774	1,442,107	1,088,496
Accumulated amortization of computer equipment/software .....	1775	1,059,459	828,256
Machinery and equipment under construction .....	1782	790,815	-5,695
Other machinery and equipment .....	1785	29,114,871	26,474,795
Accumulated amortization of other machinery and equipment .....	1786	7,684,749	6,310,230
Furniture and fixtures .....	1787	310,200	266,167
Accumulated amortization of furniture and fixtures .....	1788	159,524	129,867
<b>Total tangible capital assets</b> .....	<b>2008</b>	<b>37,361,277</b>	<b>33,318,800</b>
<b>Total accumulated amortization of tangible capital assets</b> .....	<b>2009</b>	<b>10,667,992</b>	<b>8,778,246</b>

#### Intangible Capital Assets

Goodwill .....	2012	359,705	359,705
Accumulated amortization of goodwill .....	2013	6,824	6,824
Incorporation costs .....	2018	336,911	336,911
Accumulated amortization of incorporation costs .....	2019	86,040	72,837
Rights .....	2024	4,739	4,739
<b>Total intangible capital assets</b> .....	<b>2178</b>	<b>701,355</b>	<b>701,355</b>
<b>Total accumulated amortization of intangible capital assets</b> .....	<b>2179</b>	<b>92,864</b>	<b>79,661</b>

#### Long-Term Assets

Loans/advances to Canadian related corporations .....	2243	865,551	865,551
Investment in Canadian related corporations at cost .....	2244	865,552	865,552
Other Canadian long-term investments .....	2311	40,818	39,221
Other deferred items/charges .....	2424	3,094,041	4,548,088
<b>Total long-term assets</b> .....	<b>2589</b>	<b>1,865,962</b>	<b>6,318,412</b>

Assets held in trust .....

2590

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Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 100

Page 2 of 3

### Balance Sheet Information

#### Liabilities

Description	GIFI	Amount	Prior year
<b>Current liabilities</b>			
Trade payables	2621	7,053,024	8,011,901
Trade payables to related parties	2622	1,081	5,778
Wages payable	2624	81,906	75,075
Bonuses payable	2626	66,840	90,800
Employee deductions payable	2627	31,098	22,744
Withholding taxes payable	2628	6,294	6,316
Interest payable	2629	171,754	
Taxes payable	2680	176,029	11,050
Deferred income	2770	322,890	461,507
Deposits received	2961	250,000	250,000
<b>Total current liabilities</b>	<b>3139</b>	<b>8,160,916</b>	<b>8,935,171</b>
<b>Long-term liabilities</b>			
Due to corporate shareholder(s)	3262	16,141,970	16,141,970
Long-term obligations/commitments/capital leases	3321	828,788	786,440
<b>Total long-term liabilities</b>	<b>3450</b>	<b>16,970,758</b>	<b>16,928,410</b>
<b>Total liabilities *</b>	<b>3499</b>	<b>25,131,674</b>	<b>25,863,581</b>

\* Mandatory field

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year 2006	Month 12	Day 31
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## General Index of Financial Information (GIFI)

T2 SCH 100  
Page 3 of 3

### Balance Sheet Information

Description	GIFI	Amount	Prior year
<b>Shareholder Equity</b>			
Common shares .....	3500	16,161,663	16,161,663
Retained earnings/deficit (from Item 3849) .....	3600	4,231,115	3,065,624
<b>Total shareholder equity *</b> .....	3620	20,392,778	19,227,287

\* Mandatory field

### Retained Earnings Information

#### Retained earnings/deficit

Retained earnings/deficit - start .....	3660	3,065,624	2,394,782
Net income/loss .....	3680	1,165,491	670,842
Retained earnings/deficit - end (enter this amount at Item 3600) .....	3849	4,231,115	3,065,624
<b>Total liabilities and shareholder equity</b> .....	3640	45,524,452	45,090,868

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 125

Page 1 of 7

### Income Statement Information

0001 Operating name - Required if different from corporation's legal name

0002 Description of the operation - Required if filing more than one GIFI 125 and the operation is different from the main activity

0003 Sequence Number

1

### Revenue

Description	GIFI	Amount	Prior year
Trade sales of goods and services .....	8000	46,461,104	46,094,672
Sales of goods and services to related parties .....	8020	387,484	334,986
Total sales of goods and services .....	8089	46,848,588	46,429,658
Interest from other Canadian sources .....	8094	188,898	321,666
Deposits with banks interest .....	8103	81,599	60,734
Real estate rental revenue .....	8141	12,600	12,600
Realized gains/losses on sale of investments .....	8211	774	25,444
<b>Other Revenue</b>			
Income/loss of partnerships .....	8235	1,597	-1,297
<b>Total revenue *</b> .....	<b>8299</b>	<b>47,134,056</b>	<b>46,848,805</b>

\* Mandatory field



Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 125  
Page 2 of 7

### Income Statement Information

#### Cost of sales

Description	GIFI	Amount	Prior year
Purchases/cost of materials .....	8320	35,591,692	36,872,141
Cost of sales .....	8518	35,591,692	36,872,141
Gross profit/loss .....	8519	11,256,896	9,557,517

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year 2006	Month 12	Day 31
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## General Index of Financial Information (GIFI)

T2 SCH 125  
Page 3 of 7

### Some Statement Information

#### Operating expenses

Description	GIFI	Amount	Prior year
Advertising	8521	18,254	28,094
Donations	8522		325,000
Meals and entertainment	8523	12,237	11,574
Promotion	8524	16,085	14,233
Amortization of intangible assets	8570	13,204	13,204
Bad debt expense	8590	42,000	70,004
Group insurance benefits	8621	66,584	64,010
Employer's portion of employee benefits	8622	187,442	177,049
Contributions to deferred income plans	8623	206,651	170,947
Amortization of tangible assets	8670	3,388,729	2,875,233
Insurance	8690	104,159	97,192
Interest on short-term debt	8711	13,739	13,425
Interest on long-term debt	8714	1,478,097	1,176,855
Bank charges	8715	23,638	23,628
Collection and credit costs	8717	34,032	3,077
Interest paid on deposits	8741	30,882	11,979
Memberships	8761	28,871	48,244
Business taxes	8762	101,863	68,445
Office stationery and supplies	8811	58,549	58,419
Legal fees	8861	41,342	76,439
Accounting fees	8862	40,949	20,889
Consulting fees	8863	33,632	4,926
Training expense	8876	50,264	44,063
Equipment rental	8914	12,749	8,572
Repairs and maintenance - buildings	8961	19,219	70,998
Repairs and maintenance - vehicles	8962	64,268	116,002
Repairs and maintenance - machinery and equipment	8964	256,447	246,857
Garbage removal	9014	4,613	3,657
Directors fees	9064	43,585	
Management salaries	9065	873,184	861,197
Employee salaries	9066	1,556,483	1,358,527
Sub-contracts	9110	323,420	125,863
Small tools	9131	84,882	73,099
Uniforms	9133	13,116	16,298
Internet	9152		9,250
Property taxes	9180	88,842	82,927
Travel expenses	9200	6,566	3,205
Meetings and conventions	9201	42,901	38,667
Electricity	9221	72,676	84,104
Telephone and telecommunications	9225	90,572	74,206
Delivery, freight and express	9275	84,840	76,487
Vehicle expenses	9281	4,831	
General and administrative expenses	9284	12,675	12,664
<b>Total operating expenses</b>	<b>9367</b>	<b>9,647,072</b>	<b>8,659,509</b>
<b>Total expenses *</b>	<b>9368</b>	<b>45,238,764</b>	<b>45,531,650</b>

\* Mandatory field

**Net non-farming income** 9369 1,895,292 1,317,155

Do not file with CRA. Submit the RSI forms only.

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# General Index of Financial Information (GIFI)

T2 SCH 125

Page 4 of 7

## Farming Income Statement Information

### Farming Revenue

Description	GIFI	Amount	Prior year
<b>Grains and oilseeds</b>	<b>9370</b>		
Wheat	9371		
Oats	9372		
Barley	9373		
Mixed grains	9374		
Corn	9375		
Canola	9376		
Flaxseed	9377		
Soya beans	9378		
Wheat board payments	9379		
<b>Other crop revenues</b>	<b>9420</b>		
Fruit	9421		
Potatoes	9422		
Vegetables	9423		
Tobacco	9424		
Greenhouse and nursery products	9425		
Forage crops	9426		
<b>Livestock and animal products revenue</b>	<b>9470</b>		
Cattle	9471		
Swine	9472		
Poultry	9473		
Sheep and lambs	9474		
Pregnant mare urine (PMU)	9475		
Milk and cream (excluding dairy subsidies)	9476		
Eggs for consumption	9477		
Hatching eggs	9478		
Aquaculture (hatching and raising)	9479		
Horses (breeding and meat)	9480		
<b>Other commodities</b>	<b>9520</b>		
Maple products	9521		
Artificial insemination	9522		
Semen production	9523		
Embryo production	9524		
<b>Program payment revenues</b>	<b>9540</b>		
Dairy subsidies	9541		
Crop insurance	9542		
NISA payments (CAIS)	9543		
Disaster Assistance Program payments	9544		
NISA benefit (CAIS)	9545		
Production insurance premium benefit	9546		

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 125  
Page 5 of 7

### Farming Income Statement Information

#### Farming Revenue (continued)

Description	GIFI	Amount	Prior year
<b>Rebates</b> .....	<b>9570</b>		
Rebates - fuel .....	9571		
Rebates - interest .....	9572		
Rebates - property taxes .....	9573		
Resales, rebates, GST for NISA eligible expenses (CAIS) .....	9574		
Rebates, GST for NISA non-eligible expenses (CAIS) .....	9575		
<b>Other farm revenues/losses</b> .....	<b>9600</b>		
Custom or contract work .....	9601		
Wood sales .....	9602		
Horse racing .....	9603		
Insurance proceeds .....	9604		
Patronage dividends .....	9605		
Rental income .....	9606		
Interest income .....	9607		
Dividend income .....	9608		
Gains/losses on disposal of assets .....	9609		
Gravel .....	9610		
Trucking .....	9611		
Resale of commodities purchased .....	9612		
Leases (gas, oil, well, surface, etc.) .....	9613		
Machine rentals .....	9614		
Farming partnership income/loss .....	9615		
Farming joint venture income/loss .....	9616		
Custom feeding .....	9617		
Non-farming income .....	9650		
<b>Total farm revenue *</b> .....	<b>9659</b>		

\* Mandatory field

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

## General Index of Financial Information (GIFI)

T2 SCH 125

Page 6 of 7

### Farming Income Statement Information

#### Farming Expenses

Description	GIFI	Amount	Prior year
<b>Crop expenses</b> .....	<b>9660</b>		
Containers, twine and baling wire .....	<b>9661</b>		
Fertilizers and lime .....	<b>9662</b>		
Pesticides .....	<b>9663</b>		
Seeds and plants .....	<b>9664</b>		
Insurance premiums (crop) NISA ACS (CAIS) .....	<b>9665</b>		
<b>Livestock expenses</b> .....	<b>9710</b>		
Feed, supplements, straw, and bedding .....	<b>9711</b>		
Livestock purchases .....	<b>9712</b>		
Veterinary fees, medicine, and breeding fees .....	<b>9713</b>		
Minerals and salts .....	<b>9714</b>		
<b>Machinery expenses</b> .....	<b>9760</b>		
Machinery insurance .....	<b>9761</b>		
Machinery licences .....	<b>9762</b>		
Machinery repairs .....	<b>9763</b>		
Machinery fuel .....	<b>9764</b>		
Machinery lease .....	<b>9765</b>		

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**General Index of Financial Information (GIFI)**  
**Farming Income Statement Information**

**T2 SCH 125**  
**Page 7 of 7**

**Farming Expenses (continued)**

Description	GIFI	Amount	Prior year
<b>General farm expenses</b>	<b>9790</b>		
Amortization of tangible assets	9791		
Advertising, marketing costs, and promotion	9792		
Bad debt	9793		
Benefits related to employee salaries	9794		
Building repairs and maintenance	9795		
Clearing, levelling, and draining land	9796		
Crop insurance, Revenue Protection Program, and stabilization premiums	9797		
Custom or contract work	9798		
Electricity	9799		
Fence repairs and maintenance	9800		
Freight and trucking	9801		
Heating fuel and curing fuel	9802		
Insurance program overpayment recapture	9803		
Other insurance premiums	9804		
Interest and bank charges	9805		
Marketing board fees	9806		
Memberships/subscription fees	9807		
Office expenses	9808		
Professional fees	9809		
Property taxes	9810		
Rent - land and buildings	9811		
Rent - machinery	9812		
Other rental expenses	9813		
Salaries and wages	9814		
Salaries and wages other than spouse or dependants	9815		
Salaries and wages paid to dependants	9816		
Selling costs	9817		
Supplies	9818		
Motor vehicle expenses	9819		
Small tools	9820		
Soil testing	9821		
Storage/drying	9822		
Licences/permits	9823		
Telephone	9824		
Quota rental (tobacco, dairy)	9825		
Gravel	9826		
Purchases of commodities resold	9827		
Salaries and wages paid to spouse	9828		
Motor vehicle interest and leasing costs	9829		
Prepared feed	9830		
Custom feed	9831		
Amortization of intangible assets	9832		
Amortization of milk quota	9833		
Travel expenses	9834		
Capital/business taxes	9835		
Commissions and levies	9836		
<b>Non-farming expenses</b>	<b>9850</b>		
Net inventory adjustment	9870		
<b>Total farm expenses *</b>	<b>9898</b>		
<b>Net farm income</b>	<b>9899</b>		

\* Mandatory field

**Do not file with CRA. Submit the RSI forms only.**

## NOTES CHECKLIST

## SCHEDULE 141

Name of Corporation <b>ALTON HILLS HYDRO INC.</b>	Business Number <b>867429623 RC 0001</b>	Tax year-end <b>2006/12/31</b>
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- 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 information

Does the accounting practitioner have a professional designation? ..... **095** 1 Yes ☒ 2 No ☐

Is the accounting practitioner connected\* with the corporation? ..... **097** 1 Yes ☐ 2 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 involvement

Choose the option that represents the highest level of involvement of the accounting practitioner:

Completed an auditor's report ..... **198** **1** ☒  
 Completed a review engagement report ..... **2** ☐  
 Conducted a compilation engagement ..... **3** ☐

### Part 3 - Reservations

.. you selected option "1" or "2" under **Type of involvement** above, answer the following question:

Has the accounting practitioner expressed a reservation? ..... **099** 1 Yes ☐ 2 No ☒

### Part 4 - Other information

Were notes to the financial statements prepared? ..... **101** 1 Yes ☒ 2 No ☐

If Yes, complete lines 102 to 107 below:

Are any values presented at other than cost? ..... **102** 1 Yes ☐ 2 No ☒

Has there been a change in accounting policies since the last return? ..... **103** 1 Yes ☐ 2 No ☒

Are subsequent events mentioned in the notes? ..... **104** 1 Yes ☐ 2 No ☒

Is re-evaluation of asset information mentioned in the notes? ..... **105** 1 Yes ☐ 2 No ☒

Is contingent liability information mentioned in the notes? ..... **106** 1 Yes ☒ 2 No ☐

Is information regarding commitments mentioned in the notes? ..... **107** 1 Yes ☒ 2 No ☐

Does the corporation have investments in joint venture(s) or partnership(s)? ..... **108** 1 Yes ☒ 2 No ☐

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? ..... **109** 1 Yes ☐ 2 No ☒

## CONTINUITY OF CAPITAL DIVIDEND ACCOUNT AS AT:

2006/12/31 (see note 1)

CDA

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**CAPITAL GAINS**

Non-taxable portion of capital gains realized in prior years ..... 20,731  
 Non-taxable portion of capital gains for the current year ..... 20,731

**CAPITAL LOSSES**

Non-deductible portion of capital losses incurred in prior years .....  
 Non-deductible portion of capital losses for the current year .....  
 Non-deductible portion of capital business investment losses .....  
 Excess of non-taxable portion of gains over losses ..... 20,731

**CAPITAL DIVIDENDS RECEIVED**

Aggregate of dividends received in prior years .....  
 Dividends received during the year .....

**ELIGIBLE CAPITAL PROPERTY**

Non-taxable portion of net proceeds on sale of E.C.P. - Balance from prior years. . . . .

**Disposition incurred during the taxation year ending after October 17, 2000**

Amount to be included under subsection 14(1)(b).

Amount from line S on Schedule 10 for the taxation years  
 ending after October 17, 2000 - for the current year .....

**Less:**

Appropriate portion of amount deducted as a credit loss  
 (paragraph 20(4.2)) or capital losses (paragraph 24(4.3))  
 for taxation year ending after October 17, 2000  
 - for the current year. ....

Non-taxable portion of net proceeds on sale of E.C.P. ....

Note 1: The period for which the CDA applies, commences on the first day of the first taxation year ending after 1971 and after the corporation last became a private corporation, and ends immediately before the balance in the capital dividend account is to be determined.



**CONTINUITY OF CAPITAL DIVIDEND ACCOUNT AS AT:**

2006/12/31 (see note 1)

**CDA**

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2006	12	31

**LIFE INSURANCE POLICIES**

Proceeds from life insurance policies received in prior years .....  
 Proceeds from life insurance policies received in year .....  
 Less:  
     Adjusted cost base of life insurance policies disposed of in prior years .....  
 Less:  
     Adjusted cost base of life insurance policies disposed of in year .....

**CAPITAL GAINS PAID OUT BY A TRUST**

Non-taxable portion of capital gains paid out by a trust  
 - Balance from prior years .....  
 Non-taxable portion of capital gains paid out by a trust  
 - for the current year .....  
 Non-taxable dividends earned from CDA and paid out by a trust  
 - Balance from prior years .....  
 Non-taxable dividends earned from CDA and paid out by a trust  
 - for the current year .....

**Capital dividend account balance before capital dividends paid or payable.** ..... 20,731

**CAPITAL DIVIDENDS PAID OR PAYABLE**

Aggregate of dividends - prior years .....  
 Dividends paid or payable for year .....

**Capital dividend account balance** ..... 20,731

*Non-Consolidated Financial Statements of*

**HALTON HILLS HYDRO INC.**

*December 31, 2006*

## Auditors' Report

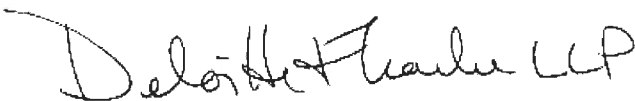
To the Directors of  
Halton Hills Hydro Inc.

We have audited the non-consolidated balance sheet of Halton Hills Hydro Inc. as at December 31, 2006 and the non-consolidated statements of income and retained earnings and of cash flows for the year then ended. These financial statements have been prepared on a non-consolidated basis for income tax purposes. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 3 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of Halton Hills Hydro Inc. and the provincial income tax authorities, for income tax purposes. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.



Chartered Accountants  
Licensed Public Accountants

March 29, 2007

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**HALTON HILLS HYDRO INC.****Non-Consolidated Statement of Income and Retained Earnings****Year Ended December 31, 2006**

	<u>2006</u>	<u>2005</u>
REVENUE		
Service revenue (Note 16)	\$ 45,619,622	\$ 45,731,875
Other income	1,514,435	1,116,930
	<u>47,134,057</u>	<u>46,848,805</u>
OPERATING EXPENSES		
Power costs	35,130,342	36,847,936
Salaries and benefits	3,636,852	3,489,322
Material costs	2,690,912	1,514,086
Contract services	2,102,678	2,704,632
Property costs	521,663	517,652
Other expenses	855,429	753,768
Communication costs	268,081	260,991
Capital taxes	101,683	68,445
Allocated to capital	(5,012,989)	(4,702,453)
	<u>40,294,651</u>	<u>41,454,379</u>
INCOME BEFORE THE UNDERNOTED	<u>6,839,406</u>	<u>5,394,426</u>
RECOVERY OF REGULATORY ASSETS	1,471,724	1,004,331
AMORTIZATION	1,930,209	1,884,106
INTEREST EXPENSE	1,542,001	1,188,834
	<u>4,943,934</u>	<u>4,077,271</u>
INCOME BEFORE INCOME TAXES	<u>1,895,472</u>	<u>1,317,155</u>
PROVISION FOR INCOME TAXES (Note 17)		
Current	729,981	646,313
NET INCOME	<u>1,165,491</u>	<u>670,842</u>
RETAINED EARNINGS, BEGINNING OF THE YEAR	3,065,624	2,394,782
RETAINED EARNINGS, END OF THE YEAR	\$ 4,231,115	\$ 3,065,624

**HALTON HILLS HYDRO INC.****Non-Consolidated Balance Sheet****December 31, 2006**

	2006	2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 1,600,010	\$ 2,085,729
Accounts receivable (Note 4)	3,402,683	3,389,257
Unbilled revenue	5,677,289	5,519,301
Inventory	1,087,028	995,697
Due from related companies (Note 5)	1,341,153	1,334,080
Prepaid expenses and deposits	248,551	286,144
	<b>13,356,714</b>	<b>13,610,208</b>
NOTES RECEIVABLE (Note 6)	865,551	865,551
REGULATORY ASSETS (Note 7)	3,046,254	4,468,443
LONG-TERM INVESTMENTS (Note 8)	906,370	904,773
CAPITAL ASSETS (Note 9)	26,948,895	24,809,367
GOODWILL	352,881	352,881
DEFERRED CHARGES	47,787	79,645
	<b>\$ 45,524,452</b>	<b>\$ 45,090,868</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 7,588,026	\$ 8,228,664
Deferred revenue (Note 11)	322,890	456,507
Current portion of consumer deposits	250,000	250,000
	<b>8,160,916</b>	<b>8,935,171</b>
NOTE PAYABLE TO PARENT (Note 12)	16,141,970	16,141,970
CONSUMER DEPOSITS	371,888	339,440
EMPLOYEE FUTURE BENEFITS (Note 13)	456,900	447,000
	<b>25,131,674</b>	<b>25,863,581</b>
<b>CONTINGENT LIABILITIES (Note 14)</b>		
<b>SHAREHOLDER'S EQUITY</b>		
Capital stock (Note 15)	16,161,663	16,161,663
Retained earnings	4,231,115	3,065,624
	<b>20,392,778</b>	<b>19,227,287</b>
	<b>\$ 45,524,452</b>	<b>\$ 45,090,868</b>

**APPROVED BY THE BOARD**

..... Director

..... Director

**HALTON HILLS HYDRO INC.**  
**Non-Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Cash from operations		
Net income	\$ 1,165,491	\$ 670,842
Items not affecting cash:		
Amortization	1,930,209	1,884,106
Gain on disposal of capital assets	(774)	(25,444)
Difference between employee future benefits expense and amount funded	9,900	12,500
Equity in loss (income) of limited partnership	(1,597)	1,297
	<u>3,103,229</u>	<u>2,543,301</u>
Change in regulatory assets	1,422,189	(498,847)
Changes in non-cash working capital (Note 18)	(1,602,598)	473,213
	<u>2,922,820</u>	<u>2,517,667</u>
<b>FINANCING ACTIVITY</b>		
Net consumer deposits received (repaid)	32,448	(355,417)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(3,477,748)	(3,140,292)
Proceeds on disposal of capital assets	4,903	25,610
Deferred charges	31,858	(79,645)
	<u>(3,440,987)</u>	<u>(3,194,327)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(485,719)</b>	<b>(1,032,077)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,085,729</b>	<b>3,117,806</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,600,010</b>	<b>\$ 2,085,729</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Payments for interest	\$ 1,493,457	\$ 1,286,905
Net payments for income tax	\$ 636,269	\$ 826,758

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 1. NATURE OF OPERATIONS

Halton Hills Hydro Inc., the 'Company', is a wholly-owned corporation of the Town of Halton Hills, and was incorporated on April 13, 1999 under the laws of the Province of Ontario.

The principal activity of the Company is to provide electric power distribution throughout the municipality of Halton Hills.

### 2. REGULATION

#### *Regulator*

The Ontario Energy Board (OEB) has regulatory oversight of the electricity industry in the Province of Ontario. The Ontario Energy Board Act, 1998, the Electricity Act, 1998, the Electricity Restructuring Act, 2004 and a number of other provincial statutes set out the OEB's mandate and authority. The OEB prescribes and enforces licence requirements and conditions towards the following objectives as set out in the Electricity Restructuring Act, 2004:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The OEB's authority and responsibilities include the ability to approve and set rates for the transmission and distribution of electricity, to provide rate protection for various electricity consumers, and to ensure electricity distribution companies fulfill their customer service obligations.

#### *Rate approval process*

Rate applications are generally due on an annual basis, with the 2007 rate application due no later than January 26, 2007. The Company, OEB licence number ED-2002-0552, has complied with the filing deadline for the 2007 rate application. Rate adjustments for 2007 will be approved by and come into effect May 1, 2007. The OEB decision in regards to 2007 rates is expected in April 2007.

The rate application process includes oral or written public hearings whereby those who may be affected by the OEB's ruling have the opportunity to express their views.

The OEB Electricity Distribution Rate Handbook contains policies, guidelines and procedures used by Ontario electricity distributors in preparing applications for the 2006 distribution rates.

The OEB has traditionally regulated distribution rates based upon cost-of-service methodology. In 2007, however, the OEB has adopted an incentive rate setting mechanism (IRM) for electricity distributors. Incentive regulation is intended to provide distributors with the opportunity to increase returns to shareholders through the implementation of efficiency initiatives. These efficiencies are also intended to benefit ratepayers by reducing costs.



# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 2. REGULATION (continued)

#### *Type of regulation*

The OEB initiated a process to update approved 2006 rates based on the "Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors". The objective of the 2<sup>nd</sup> generation IRM is to provide regulatory certainty to distributors as rate-related studies are carried out. The 2<sup>nd</sup> generation IRM will be in place for a maximum of three years. Distributor rates will not be rebased prior to implementing the incentive rate adjustment effective May 1, 2007. The OEB will rebase rates for distributors over three years, beginning in 2008. The Company has applied for a 2008 rebasing from the OEB.

The OEB has retained a price cap form of adjustment mechanism for the IRM. The price cap adjustment will be applied to distribution rates, uniformly across all customer classes and to both the monthly service charge and volumetric rate, including taxes. The adjustment is net of the smart meter funding, large corporation tax allowance, incremental 2006 CDM funding, regulatory assets rate rider and specific service charges. The OEB will use the Canada Gross Domestic Product Implicit Price Index for final domestic demand as the price cap escalator. For 2007, the price cap has been set at 1.92%

Offsetting the price cap, is a productivity differential. The OEB has determined that electricity distributors will be subject to a 1% productivity differential for the duration of the 2nd Generation IRM.

Thus, for 2007, with the price cap set at 1.92% and annual productivity gain of 1%, an increase in rates of 0.92% is anticipated.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of accounting*

The financial statements have been prepared on a non-consolidated basis for income tax purposes and reflect the following significant accounting policies as set forth in the Accounting Procedures Handbook issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998. These financial statements materially differ from Canadian generally accepted accounting principles (GAAP) because they are non-consolidated. Consolidated financial statements have been presented to the shareholder.

#### *Regulation*

The following accounting policies under the regulated environment differ from GAAP for companies operating in an unregulated environment:

#### *Contributions in aid of construction*

Contributions in aid of construction consist of third party contributions toward the cost of constructing Company assets. Amortization of contributed capital is on a straight-line basis over 25 years. Capital contributions for the year of \$543,189 (2005 - \$1,043,632) have been charged as an offset to capital assets.

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Regulatory assets*

Regulatory assets represent future revenues associated with costs incurred in the current or prior periods, which are expected to be recovered from customers in future periods through the rate setting process.

Regulatory assets result from the provincially approved rate of the OEB and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year-end relate primarily to retail settlement variance accounts, pre-market opening cost of power variances and transition costs. Transition costs consist primarily of qualifying capital and related costs incurred in the preparation of market opening. Regulatory assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator.

The regulatory assets are recovered through incremental amounts charged to consumers as approved by the OEB and included in service revenue. The related reduction of the regulatory assets is disclosed separately on the Statement of Income.

The Ontario Energy Board Amendments Act (Electricity Pricing), 2003, in conjunction with Bill 4, allows for recovery of regulatory assets. The 2006 rate decision included approval to recover regulatory asset balances to December 31, 2004 based on a variable charge over a two-year period beginning with the rate change on May 1, 2006. Transition costs recoveries were approved after a write-down of 10% of the total balance recoverable as at May 1, 2006 (including interest) which was charged to income during the year.

#### *Payment in lieu of income taxes*

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate income taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC). These payments are recorded in accordance with the rules for computing income taxes, taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company, regulated by the OEB, provides for PILs using the taxes payable method.

Under the taxes payable method, no provision is made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. Future income taxes are expected to be reflected in future rates, and, accordingly, are not recognized in the financial information.

Future PILs disclosures are included in Note 17.

**HALTON HILLS HYDRO INC.**  
**Notes to the Non-Consolidated Financial Statements**  
**December 31, 2006**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Deferred revenue*

Deferred revenue consists of deferred Conservation and Demand Management (CDM) revenues and deferred Smart Metering revenues.

Deferred CDM revenues consist of the net amount of the final one-third market-based revenue requirement adjustment, and incremental CDM funding approved through the 2006 rate setting process, in excess of funds expended on CDM activities. The 2005 rates included the final one-third adjustment, as approved by the OEB in March 2005, to bring the Company to its market-based rate of return. The rate adjustment is subject to a financial commitment by the Company to invest an amount equivalent to the final one-third increase, \$715,000 in CDM activities over the next three years. The 2006 rates include incremental operating and capital CDM funds totalling \$179,669.

Deferred Smart Metering revenues consist of funding to begin the transition of the Company's legacy metering assets to smart meters. The basis for the installation of 800,000 smart meters in Ontario by the end of 2007 and all homes and businesses by the end of 2010 is outlaid in the Energy Conservation Responsibility Act, 2006. These meters will have the capacity to measure and report usage over certain periods, be read remotely and provide customers with access to information about their consumption. The 2006 rates of the Company included \$136,800 to begin smart meter deployment.

*Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unbilled revenue. Actual results could differ from those estimates.

*Revenue recognition*

Service revenue is recorded on the basis of regular meter readings and estimated power usage since the last meter reading date to the year-end. The related cost of power is recorded on the basis of power used.

Other revenues, which include pole attachment rentals, customer requested services and other miscellaneous revenues, are recognized as the service activity is performed.

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments, with maturities of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the Statement of Cash Flows and disclosed separately.

*Inventory*

Inventory is valued at the lower of average cost and net realizable value.

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Long-term investments*

Long-term investments in subsidiary companies are recorded at cost.

The Company follows the equity method of accounting for its investment in a limited partnership. Under this method, the investment is initially recorded at cost and is adjusted for the Company's proportionate share of any post-acquisition earnings, losses and distributions.

#### *Capital assets*

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the useful service life as follows:

Distribution system	25 years
Plant	25 - 60 years
Fleet	5 - 8 years
Other equipment	10 - 15 years
Computer equipment and software	1 - 5 years
General office	10 years
Stores equipment	10 years

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

#### *Deferred charges*

Deferred charges consist of expenditures that provide future benefit. These charges are amortized on a straight-line basis over 3 years.

#### *Goodwill*

Goodwill is recorded at amortized cost as at December 31, 2001. The carrying value of goodwill is tested against the fair values of the entities which generated the goodwill on an annual basis. If the carrying amount exceeds fair value, an impairment loss is recognized in the statement of income in an amount equal to the excess. Management has reviewed the fair values of the entities and has determined that no impairment of goodwill exists.

#### *Employee future benefits*

The Company provides its current and retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

**HALTON HILLS HYDRO INC.**  
**Notes to the Non-Consolidated Financial Statements**  
**December 31, 2006**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Asset retirement obligations*

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

**4. ACCOUNTS RECEIVABLE**

	<u>2006</u>	<u>2005</u>
Electric service revenue	\$ 3,052,241	\$ 2,371,474
Miscellaneous	394,414	907,762
Town of Halton Hills	45,578	213,558
	<u>3,492,233</u>	<u>3,492,794</u>
Less allowance for doubtful accounts	(89,550)	(103,537)
	<u>\$ 3,402,683</u>	<u>\$ 3,389,257</u>

The accounts receivable from the Town of Halton Hills arose in the normal course of operations and is due under normal terms of trade.

Miscellaneous accounts receivable includes \$18,514 (2005 - \$24,342) due from related companies. These receivables arose in the normal course of operations and are due under normal terms of trade.

**5. DUE FROM RELATED COMPANIES**

The Company performs billing and collecting services, capital asset maintenance, finance functions, as well as certain engineering and information system services for related companies.

Amounts due from related companies at December 31st for transactions in the normal course of operations are as follows:

	<u>2006</u>	<u>2005</u>
Halton Hills Fibre Optics Inc.	\$ 891,957	\$ 1,017,204
Southwestern Energy Inc.	305,685	27,830
Halton Hills Energy Services Inc.	135,935	283,550
Halton Hills Energy Inc.	7,576	5,496
	<u>\$ 1,341,153</u>	<u>\$ 1,334,080</u>

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

### 5. DUE FROM RELATED COMPANIES (continued)

Repayments of advances to Halton Hills Fibre Optics Inc. for capital initiatives amounted to \$250,000 during the year (2005 - \$100,000 advanced). The net amount advanced for capital initiatives of \$350,000 (2005 - \$600,000) is unsecured, bears interest at the prime rate less ½ % and has no specific repayment terms.

Other than the above, these receivables are unsecured and have no specific interest or repayment terms.

Administrative services provided by the Company to related companies during the year are as follows:

	2006	2005
Halton Hills Fibre Optics Inc.	\$ 79,476	\$ 63,480
SouthWestern Energy Inc.	308,008	271,506
	<u>\$ 387,484</u>	<u>\$ 334,986</u>

### 6. NOTES RECEIVABLE

The Company holds the following notes receivable:

	2006	2005
Halton Hills Energy Services Inc., unsecured, non-interest bearing, no fixed terms of repayment, due December 31, 2010	\$ 171,853	\$ 171,853
Halton Hills Fibre Optics Inc., unsecured, bears interest at prime less 1%, no fixed repayment terms for principal, due December 31, 2010	693,698	693,698
	<u>\$ 865,551</u>	<u>\$ 865,551</u>

### 7. REGULATORY ASSETS

Regulatory assets are as follows:

	2006	2005
Pre-market opening energy variance	\$ 323,328	\$ 337,166
Retail settlement variance	2,150,514	3,737,662
Retail cost variance	165,841	11,949
Transition costs	406,571	381,666
	<u>\$ 3,046,254</u>	<u>\$ 4,468,443</u>

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 7. REGULATORY ASSETS (continued)

Management expects that regulatory assets attained during 2005 and 2006 will be recovered through future rate increases. If in a future decision, the regulator determines that the existing regulatory treatment is no longer applicable, the regulatory assets would be charged to operations.

In the absence of rate regulation, GAAP would require that the actual purchased power costs (including any variances arising from electricity commodity, retail transmission and wholesale market costs), as well as transition costs, be recognized as an expense when incurred.

In the absence of rate regulation, power costs for the year would have been lower (higher) by \$1,581,331 (2005 - \$(202,466)) and interest income would have been lower by \$159,142 (2005 - \$296,381). The net effect, in the absence of rate regulation, is a pre-tax increase (decrease) in net income of \$1,422,189 (2005 - \$(498,847)).

### 8. LONG-TERM INVESTMENTS

The Company holds the following investments, all of which are wholly-owned, except for the investment in EnerConnect Inc., a limited partnership investment, of which 46,389 units (1.5865% share of partnership) are held:

	<u>2006</u>	<u>2005</u>
Halton Hills Energy Inc.	\$ 1	\$ 1
SouthWestern Energy Inc.	171,853	171,853
Halton Hills Fibre Optics Inc.	693,698	693,698
EnerConnect Inc.	40,818	39,221
	<u>\$ 906,370</u>	<u>\$ 904,773</u>

The investment in EnerConnect includes the proportionate share of the company's income (loss) for the year of \$1,597 (2005 - \$(1,297)).

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

### 9. CAPITAL ASSETS

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Distribution system	\$ 27,382,836	\$ 6,444,355	\$ 20,938,481	\$19,694,821
Plant	8,793,468	1,883,420	6,910,048	6,377,933
Fleet	1,507,255	1,003,043	504,212	521,345
Other equipment	2,066,430	518,743	1,547,687	907,691
Computer equipment and software	1,462,107	1,059,459	402,648	260,240
General office	310,200	159,524	150,676	136,300
Stores equipment	53,151	33,237	19,914	23,146
Contributed capital	(3,872,520)	(347,749)	(3,524,771)	(3,112,109)
	\$ 37,702,927	\$ 10,754,032	\$ 26,948,895	\$24,809,367

During the year, the Company recorded capital asset additions of \$4,073,866 (2005 - \$2,671,398), of which \$724,605 (2005 - \$128,487) were recorded in accounts payable at year-end.

### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes an amount of \$Nil (2005 - \$1,124,680) due to low volume and designated customers arising from the Ontario Price Credit (OPC) rebate program. The rebate funds were received by the Company from the Ontario Electricity Financial Corporation (OEFC) through the Independent Electricity System Operator. The OPC rebate represents the OEFC surplus between fixed and wholesale electricity commodity prices during the period April 1, 2004 and March 31, 2005.

Accounts payable and accrued liabilities also includes \$1,081 (2005 - \$5,778) due to related companies. These payables arose in the normal course of operations and are due under normal terms of trade.

### 11. DEFERRED REVENUE

During the year, the Company collected \$330,990 (2005 - \$595,833), for a total of \$926,823 to date of revenue related to the final one-third market-based rate of return adjustment, 2006 CDM and 2006 Smart Meter funding. Also, during the year, the Company expended \$464,607 (2005 - \$139,326), for a total of \$603,933 to date towards CDM and Smart Metering activities. The net balance of revenues over expenditures to date totals \$322,890 (2005 - \$456,507).

In the absence of rate regulation, service revenue for the year would have been higher by \$322,890 (2005 - \$456,507), resulting in a pre-tax increase in net income of \$322,890 (2005 - \$456,507).



# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 12. NOTE PAYABLE

The note payable is due to the Town of Halton Hills, bears interest at a prescribed rate set annually by the Town and is due December 31, 2010. For 2006, the prescribed interest was set at 9.16%. In 2007, the prescribed rate of interest is 8.93%. There are no fixed terms for the repayment of principal.

### 13. EMPLOYEE FUTURE BENEFITS

The Company pays certain medical and life insurance benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2006 of \$456,900 (2005 - \$447,000) and the expense for the year then ended was determined by actuarial valuation using a discount rate of 5.0%.

Information regarding the defined benefit plan of the Company is as follows:

	<u>2006</u>	<u>2005</u>
Accrued benefit liability at January 1	\$ 447,000	\$ 434,500
Expense for the year ended December 31	25,735	29,220
Benefits paid during the year	(15,835)	(16,720)
Projected accrued benefit obligation at December 31		
determined by actuarial valuation using a 5.0% discount rate	\$ 456,900	\$ 447,000

The main actuarial assumptions utilized for the valuation are as follows:

**General Inflation** – future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2006 and thereafter.

**Discount (Interest) Rate** – the obligation as at December 31, 2006 of the present value of future liabilities and the expense for the year then ended were determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.0%.

**Salary levels** – future general salary and wage levels were assumed to increase at the CPI rate plus productivity, merit and promotion gains of 1.3% per annum.

**Medical costs** – medical costs were assumed to increase at the CPI rate plus 8% in 2006. Thereafter, medical costs are assumed to decline by 1% per annum from the 2006 rate.

**Dental costs** – dental costs were assumed to increase at the CPI rate plus 3.0%.

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 14. CONTINGENT LIABILITIES

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former 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 Company collected total late payment interest of \$1,786,238 from January 1995 to December 2006. No determination of the portion of these payments which may have constituted interest at impermissible rates has been made.

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.

### 15. CAPITAL STOCK

	<u>2006</u>	<u>2005</u>
Authorized		
Unlimited number of preference shares		
Unlimited number of common shares		
Issued and fully paid		
1,152 common shares	\$ 16,161,663	\$ 16,161,663

### 16. SERVICE REVENUE

Service revenue consists of:

	<u>2006</u>	<u>2005</u>
Cost of power	\$ 35,130,342	\$ 36,847,936
Distribution	10,489,280	8,883,939
	<u>\$ 45,619,622</u>	<u>\$ 45,731,875</u>

# HALTON HILLS HYDRO INC.

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

### 17. PROVISION FOR TAXES

For the year ended December 31, 2006, the provision for PILs was \$715,000 (2005 - \$596,000). Actual expense for the year amounted to \$729,981 (2005 - \$646,313)

Future income taxes are not included in the tax provision for the company. If future income taxes were included, a future income tax asset of \$715,000 (2005 - \$1,045,000) and a future income tax cost (benefit) of \$330,000 (2005 - \$(185,000)) would have been recorded.

### 18. CHANGES IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consists of the following:

	2006	2005
Accounts receivable	\$ (13,426)	\$ (219,865)
Unbilled revenue	(157,988)	(1,104,815)
Inventory	(91,331)	(108,735)
Prepaid expenses and deposits	37,593	(39,880)
Accounts payable and accrued liabilities	(1,236,756)	1,725,227
Due from related companies	(7,073)	(235,226)
Deferred revenue	(133,617)	456,507
	<u>\$ (1,602,598)</u>	<u>\$ 473,213</u>

### 19. COMMITMENTS

The Company has minimum annual lease commitments for office equipment and software support in the following approximate amounts:

2007	\$ 4,900
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There are no further commitments after 2007.

### 20. CREDIT FACILITIES

a) Credit limit:

The Company has available credit from a financial institution in the amount of \$3,500,000 (2005 - \$3,327,426). Credit is available to the Company in the form of prime based loans, bankers' acceptances, letters of credit or stand-by letters of guarantee. Interest on prime based loans is at prime less 0.55%. At year-end, only the letter of credit per b) below is outstanding. Security in the form of a first charge over the Company's assets and undertakings and an assignment of liability / fire insurance has been provided.

**HALTON HILLS HYDRO INC.**  
**Notes to the Non-Consolidated Financial Statements**  
**December 31, 2006**

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**20. CREDIT FACILITIES (continued)**

b) Security on Electricity purchases

As of May 2002, in order for the Company to obtain the electricity it requires to distribute to its customers, the Company is required to provide security to the Independent Electricity System Operator based on its estimated usage. The security obtained was a letter of credit issued in the amount of \$1,952,426 (2005 - \$1,952,426) from a financial institution.

c) Covenants

The above credit facilities require an interest coverage ratio of not less than 2.0 to 1, and a total interest bearing debt to capitalization ratio not greater than 0.55 to 1. As at December 31, 2006, the Company is in compliance with these covenants.

**21. PENSION AGREEMENT**

The Company and its employees contribute to the Ontario Municipal Employee's Retirement System (OMERS), a defined benefit pension plan for the employees of Ontario municipalities. As the Company is only liable for the contributions, defined contribution plan accounting is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2006 was \$206,651 (2005 - \$170,947).

**22. FINANCIAL INSTRUMENTS**

*Financial risk*

Financial risk is the risk to the company's earnings that arises from fluctuations in interest rates, foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to interest and foreign exchange risk as management does not consider financial risk to be material.

*Credit risk*

The Company is exposed to credit risk from its customers, however, the concentration of this risk is minimized due to the large number of diverse customers.

*Fair value*

The fair value of cash, and cash equivalents, accounts receivable, unbilled revenue, notes receivable, due from related parties, accounts payable and accrued liabilities and deferred revenue was equal to the book value given the short-term nature of these items. As there is no secondary market for consumer deposits, the calculation of a fair value with appropriate reliability is impractical.

It is not practicable within the constraint of cost to determine the fair value of the note payable to parent with sufficient reliability.

Consolidated Financial Statements of

**THE ENERCONNECT  
LIMITED PARTNERSHIP**

Year ended December 31, 2006

*1.5844% of partnership held by HMM  
per 75013 - 2006/12.*



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## AUDITORS' REPORT

To the Limited and General Partners of THE ENERconnect Limited Partnership

We have audited the consolidated balance sheet of THE ENERconnect Limited Partnership as at December 31, 2006 and the consolidated statements of earnings and partners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Partnership'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 consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. A horizontal line is drawn underneath the signature, extending from the left side of the "K" to the right side of the "P".

Chartered Accountants

Toronto, Canada

February 9, 2007

# THE ENERCONNECT LIMITED PARTNERSHIP

## Consolidated Balance Sheet

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 264,974	\$ 443,037
Accounts receivable	376,578	110,321
Income taxes receivable	-	5,850
Prepaid expenses and deposits	37,578	17,178
	679,130	576,386
Equipment and leasehold improvements (note 4)	381,255	381,552
Intangible assets (note 5)	294,168	212,474
	<u>\$ 1,354,553</u>	<u>\$ 1,170,412</u>

## Liabilities and Partners' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 145,117	\$ 113,705
Instalment payable (note 6)	40,000	50,000
Current portion of long-term debt (note 7)	43,284 <sup>①</sup>	-
	228,401	163,705
Long-term debt (note 7)	18,767 <sup>①</sup>	-
Partners' equity	1,107,385	1,006,707
Nature of operations (note 1)	<i>x 1.5844%</i>	
Lease commitment (note 9)	<i>= 17,545</i>	
	<u>\$ 1,354,553</u>	<u>\$ 1,170,412</u>

See accompanying notes to consolidated financial statements.

On behalf of the Partnership:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

*L-T Debt*

$$\Sigma \textcircled{1} = 62,051 \times 1.5844\% = 983$$

# THE ENERCONNECT LIMITED PARTNERSHIP

Consolidated Statement of Earnings and Partners' Equity

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Sales (note 8)	\$ 1,984,964	\$ 1,915,411
Other income	867	21,096
	1,985,831	1,936,507
Expenses:		
Salaries and benefits	856,449	592,314
Computer program maintenance	284,700	203,749
Management, consultants and administrative	268,702	243,084
Amortization of equipment and leasehold improvements	138,621	84,024
Amortization of intangible assets	109,896	60,709
Professional fees	82,316	70,776
Rent and utilities	63,589	86,004
Subcontracted services	41,420	709,197
Board	21,219	29,143
Advertising	11,517	11,541
Interest and bank charges	4,186	4,131
Interest on long-term debt	2,612	-
Amortization of deferred charges	-	47,223
	1,885,227	2,141,895
Earnings (loss) before undernoted	100,604	(205,388)
Income taxes (recovery)	(74)	3,510
Net earnings (loss)	100,678	(201,878)
Partners' equity, beginning of year	1,006,707	1,208,585
Partners' equity, end of year	\$ 1,107,385	\$ 1,006,707

See accompanying notes to consolidated financial statements.



# THE ENERCONNECT LIMITED PARTNERSHIP

## Consolidated Statement of Cash Flows

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ 100,678	\$ (201,878)
Items not involving cash:		
Amortization of equipment and leasehold improvements	138,621	84,024
Amortization of intangible assets	109,896	60,709
Amortization of deferred charges	-	47,223
Amortization of incorporation costs	-	1,741
Changes in assets and liabilities, net of effect of businesses acquired:		
Accounts receivable	(137,592)	268,036
Income taxes receivable	5,850	(5,850)
Prepaid expenses	(20,400)	(8,796)
Accounts payable and accrued liabilities	(53,206)	(86,673)
Income taxes payable	(12,679)	(2,879)
Deferred revenue	-	(84,990)
	131,168	70,667
Financing:		
Decrease in deposit in escrow	-	154,161
Repayment of bank loan	-	(200,000)
Repayment of start-up funding advances	-	(275,000)
Repayment of instalment payable	(40,000)	-
Proceeds from long-term debt	86,138	-
Principal payments on long-term debt	(24,087)	-
	22,051	(320,839)
Investments:		
Redemption of certificates of deposit	-	401,615
Expenditures on equipment and leasehold improvements	(133,652)	(256,481)
Acquisition, net of cash acquired (note 3)	(197,630)	(50,922)
	(331,282)	94,212
Decrease in cash	(178,063)	(155,960)
Cash, beginning of year	443,037	598,997
Cash, end of year	\$ 264,974	\$ 443,037
Supplemental cash flow information:		
Income taxes paid (recovered)	\$ (5,924)	\$ 5,219
Interest received	767	11,146
Interest paid	2,612	-
Settlement of instalment payment (notes 5 and 6)	50,000	-

See accompanying notes to consolidated financial statements.

# THE ENERCONNECT LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2006

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### 1. Nature of operations

THE ENERconnect Limited Partnership ("ENERconnect" or the "Partnership") is organized under the provisions of the Limited Partnership Act (Ontario). The Partnership has two wholly-owned subsidiaries; Enermajica Ontario Inc. ("Enermajica") and Wattsworth Analysis Inc. ("Wattsworth"). The Partnership provides services to Ontario's commercial, industrial, municipal and utility electricity users for their electricity procurement, management and settlement activities.

Prior to May 1, 2005, the Partnership subcontracted certain customer services to Enermajica. Effective May 1, 2005, the Partnership acquired Enermajica and effective February 24, 2006, the Partnership acquired Wattsworth which established a new organizational structure that involved among other things, combining the business of the Partnership, Enermajica and Wattsworth. As a result of the acquisitions and new organizational structure the revenues and expenses reported for the year ended December 31, 2006 are not directly comparable to the revenues and expenses reported for the year ended December 31, 2005.

### 2. Significant accounting policies:

#### (a) Basis of presentation:

These financial statements include the accounts of the Partnership and its wholly-owned subsidiaries, Enermajica and Wattsworth. All significant intercompany transactions and balances have been eliminated on consolidation.

As a limited partnership, the liability of each Limited Partner for the debts, liabilities, obligations and losses of ENERconnect, is limited to the contribution of that Limited Partner plus its pro rata share of the undistributed income of the Partnership. The General Partner, ENERconnect Inc., has unlimited liability for all the debts, liabilities, obligations and losses of ENERconnect.

These financial statements do not include all of the assets, liabilities, revenues and expenses of the Partners and no provision has been recorded for income taxes which may be payable by the Partners on the net earnings of the Partnership.

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 2. Significant accounting policies (continued):

### (b) Equipment and leasehold improvements:

Equipment and leasehold improvements are stated at cost. Amortization is provided over the estimated useful lives of the assets using the following methods and annual rates.

Asset	Basis	Rate
Computer software	Straight line	25%
Computer equipment	Declining balance	30 - 33%
Office furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight line	Over the lease term

### (c) Business combinations:

The Company accounts for business combinations using the purchase method of accounting which establishes specific criteria for the recognition of intangible assets separately from goodwill.

The direct cost of acquiring a company is allocated to its identifiable net assets on the basis of the estimated fair values at the date of purchase. The consideration paid including direct acquisition costs is allocated to the underlying tangible and intangible assets acquired and liabilities assumed with the residual being goodwill.

Direct and indirect acquisition and internal costs related to the combination are charged to expense.

### (d) Intangible assets:

Intangible assets, which consists of intellectual property and acquired customer relationships and agreements, are recorded at cost less accumulated amortization. Amortization is provided for over the estimated useful lives using the straight-line method over three years for intellectual property and over five years for acquired customer relationships and agreements.

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 2. Significant accounting policies (continued):

### (e) Carrying amounts of long-lived assets:

The Partnership assesses the carrying amount of long-lived assets initially based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on the discounted cash flows over the life of the assets.

### (f) Revenue recognition:

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, or obligations to render services have lapsed, and collectibility is reasonably assured.

### (g) Income taxes:

The Partnership is a limited partnership under the applicable provisions of federal and provincial statutes. As an limited partnership, taxable income or loss is passed through directly to the partners.

The subsidiaries of the Partnership are not limited partnerships and are taxed on taxable income or losses. Income taxes are computed using the asset and liability method, under which future income tax assets and liabilities are determined based on the differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of future tax assets that, based on available evidence, are not expected to be realized.

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include recovery of equipment, leasehold improvements and intangible assets and amounts recorded for amortization based on estimates of the useful life or benefit of these assets. Actual results could differ from those estimates.

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 3. Acquisition:

The Partnership acquired all of issued shares of Wattsworth on February 24, 2006, for a purchase price of \$328,500. \$248,500 was paid in cash at the closing and the remaining amount of \$80,000 is to be paid in two equal instalments of \$40,000, with the first instalment paid in December 2006 and the second instalment payable in December 2007.

The acquisition has been accounted for by the purchase method with the results of operations of the acquired business included in the consolidated financial statements from the date of acquisition.

The total purchase price of the acquisition was allocated to the fair value of the assets acquired and liabilities assumed as follows:

Cash	\$	50,870
Accounts receivable		128,665
Office furniture		4,672
Acquired intangible assets		241,590
	\$	425,797
Accounts payable and accrued liabilities	\$	84,618
Income taxes payable		12,679
	\$	97,297
Net assets acquired	\$	328,500
Consideration:		
Cash	\$	248,500
Instalments payable		80,000
	\$	328,500

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 4. Equipment and leasehold improvements:

			2006		2005	
	Cost	Accumulated amortization	Net book value		Net book value	
Computer software	\$ 270,466	\$ 156,138	\$ 114,328	\$	107,243	
Computer equipment	190,316	97,740	92,576		54,736	
Office furniture and fixtures	76,247	55,958	20,289		23,494	
Leasehold improvements	210,085	56,023	154,062		196,079	
	\$ 747,114	\$ 365,859	\$ 381,255	\$	381,552	

## 5. Intangible assets:

			2006		2005	
	Cost	Accumulated amortization	Net book value		Net book value	
Intellectual property	\$ 223,183	\$ 130,340	\$ 92,843	\$	212,474	
Acquired customer relationships and agreements	241,590	40,265	201,325		-	
	\$ 464,773	\$ 170,605	\$ 294,168	\$	212,474	

On May 1, 2005, the Partnership acquired all of the outstanding shares of Enermajica. Included in the acquisition cost was deferred consideration in the form of three non-interest bearing instalment payments of \$50,000 each. Pursuant to a settlement with the vendor it was agreed that the third instalment due May 1, 2006, would not be paid. For the year ended December 31, 2006, the instalment payable and an equal amount assigned to intellectual property were reduced by \$50,000.

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 6. Instalment payable:

	2006	2005
Instalment payable without interest, due December 2007, relating to the acquisition of Wattsworth (note 3)	\$ 40,000	\$ -
Instalment payable without interest, due December 2006, relating to the acquisition of Enermajica (note 5)	-	50,000
	\$ 40,000	\$ 50,000

## 7. Long-term debt:

	2006	2005
5.9% loan payable, due in May 2008, payable in monthly blended installments of \$3,814	\$ 62,051	\$ -
Current portion of long-term debt	43,284	-
	\$ 18,767	\$ -

Interest expense on long-term debt for the year is \$2,611.

## 8. Related party transactions:

During the year, sales of \$1,023,728 (2005 - \$1,750,087) were made to Limited Partners. Accounts receivable includes \$130,164 (2005 - \$104,459) owed in respect of fees for November and December by customers that are Limited Partners.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 9. Lease commitment:

The Partnership leases premises under a operating lease which expires on February 28, 2010. Under the terms of the lease the Partnership is required to pay a proportionate share of realty taxes, maintenance and insurance, in addition to the minimum rental payments. The annual minimum, rent payable is as follows:

2007		
2008	\$	25,350
2009		25,350
2010		25,350
		4,225
	\$	80,275

## 10. Fair value of financial assets and financial liabilities:

The fair value of the Partnership's cash, accounts receivable, deposits, accounts payable and accrued liabilities and instalment payable approximate their carrying amount due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of Partnership's long-term debt approximates its carrying amount as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar instruments.

## 11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.