



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

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

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 see www.cra.gc.ca or the *T2 Corporation - Income Tax Guide* (T4012).

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 ON

Country (other than Canada)	Postal code/Zip code
017	018 L7J2A9

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)

021 c/o

022

023

City	Province, territory, or state
025	026

Country (other than Canada)	Postal code/Zip code
027	028

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 ON

Country (other than Canada)	Postal code/Zip code
037	038 L7J2A9

040 Type of corporation at the end of the tax year

- | | |
|--|---|
| 1 <input checked="" type="checkbox"/> Canadian-controlled private corporation (CCPC) | 4 <input type="checkbox"/> Corporation controlled by a public corporation |
| 2 <input type="checkbox"/> Other private corporation | 5 <input type="checkbox"/> Other corporation (specify, below) |
| 3 <input type="checkbox"/> Public corporation | |

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

Has 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**Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)?** 066 1 Yes ☐ 2 No ☒**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.**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 <input type="checkbox"/> | Exempt under paragraph 149(1)(e) or (l) |
| 2 <input type="checkbox"/> | Exempt under paragraph 149(1)(j) |
| 3 <input type="checkbox"/> | Exempt under paragraph 149(1)(t) |
| 4 <input type="checkbox"/> | Exempt under other paragraphs of section 149 |

Attachments

Financial statement information: Use GIFL 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 CCPC?	<input checked="" type="checkbox"/>	23
Is the corporation an associated CCPC 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"/>	1
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; gifts of cultural or ecological property; or gifts of medicine?	<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
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	<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 checked="" 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"/>	—
Is the total taxable capital employed in Canada of the corporations and its associated corporations over \$10,000,000?	<input type="checkbox"/>	—
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	<input 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 HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year Month Day 2006/12/31
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Attachments - continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	258	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	259	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	<input type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	<input checked="" type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269	<input type="checkbox"/>	54

Additional information

Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity? (Only complete if yes was entered at line 281)	282	DISTRIBUTION OF ELECTRICITY	
If the major business activity involves the resale of goods, show whether it is wholesale or retail	283	1 Wholesale <input type="checkbox"/>	2 Retail <input type="checkbox"/>
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	DISTRIBUTION OF ELECTRICITY	285 100.00%
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL	300	1,531,478	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		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction*	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous 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")	1,531,478	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	1,531,478	
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)		1,531,478	Z

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

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year Month Day 2006/12/31
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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	1,531,478	A
Taxable income from line 360, minus 10/3 of the amount on line 632*, minus 3 times the amount on line 636**, and minus any amount that, because of federal law, is exempt from Part I tax	405	1,531,478	B

Calculation of the business limit:

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

300,000	x	Number of days in the tax year in 2005 and in 2006	=	365		300,000	1
		Number of days in the tax year		365			
400,000	x	Number of days in the tax year after 2006	=				2
		Number of days in the tax year		365			
				Add amounts at lines 1 and 2		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

Small business deduction

Amount A, B, C, or F whichever is the least:	X	Number of days in the tax year before January 1, 2008	365	X 16%	=	5
		Number of days in the tax year	365			
Amount A, B, C, or F whichever is the least:	X	Number of days in the tax year after December 31, 2007 and before January 1, 2009		X 17%	=	6
		Number of days in the tax year	365			
Amount A, B, C, or F whichever is the least:	X	Number of days in the tax year after December 31, 2008		X 17%	=	7
		Number of days in the tax year	365			
				Total of amounts 5, 6, and 7 - Enter on line 9	430	<NIL> G

* 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 previous 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 previous 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 2005		X 3%	=		I
		Number of days in the tax year	365				
Amount H	x	Number of days in the tax year in 2006		X 5%	=		J
		Number of days in the tax year	365				
Amount H	x	Number of days in the tax year in 2007		X 7%	=		K
		Number of days in the tax year	365				
Resource deduction - total of amounts I, J, and K					438		L

Enter amount L on line 10.

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year Month Day 2006/12/31
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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					<u>1,531,478</u>	A
Amount Z1 from Part 9 of Schedule 27						B
Amount QQ from Part 13 of Schedule 27						C
Taxable resource income from line 435						D
Amount used to calculate the credit union deduction (from Schedule 17)						E
Amount from line 400, 405, 410, or 425, whichever is the least						F
Aggregate investment income from line 440						G
Total of amounts B, C, D, E, F, and G						H
Amount A minus amount H (if negative, enter "0")					<u>1,531,478</u>	I

Amount I <u>1,531,478</u>	x	Number of days in the tax year before January 1, 2008	<u>365</u>	X 7% =	<u>107,203</u>	J
		Number of days in the tax year	<u>365</u>			

Amount I <u>1,531,478</u>	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009		X 8.5% =		K
		Number of days in the tax year	<u>365</u>			

Amount I <u>1,531,478</u>	x	Number of days in the tax year after December 31, 2008 and before January 1, 2010		X 9% =		K.1
		Number of days in the tax year	<u>365</u>			

Amount I <u>1,531,478</u>	x	Number of days in the tax year after December 31, 2009 and before January 1, 2011		X 10% =		K.2
		Number of days in the tax year	<u>365</u>			

General tax reduction for Canadian-controlled private corporations - total of amounts J, K, K.1, and K.2 107,203 **L**

Enter amount L on line 638.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)						M
Amount Z1 from Part 9 of Schedule 27						N
Amount QQ from Part 13 of Schedule 27						O
Taxable resource income from line 435						P
Amount used to calculate the credit union deduction (from Schedule 17)						Q
Total of amounts N, O, P, and Q						R
Amount M minus amount R (if negative, enter "0")						S

Amount S	x	Number of days in the tax year before January 1, 2008	<u>365</u>	X 7% =		T
		Number of days in the tax year	<u>365</u>			

Amount S	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009		X 8.5% =		U
		Number of days in the tax year	<u>365</u>			

Amount S	x	Number of days in the tax year after December 31, 2008 and before January 1, 2010		X 9% =		U.1
		Number of days in the tax year	<u>365</u>			

Amount S	x	Number of days in the tax year after December 31, 2009 and before January 1, 2011		X 10% =		U.2
		Number of days in the tax year	<u>365</u>			

General tax reduction - total of amounts T, U, U.1, and U.2 **V**

Enter amount V on line 639.

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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Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income **440** X 26 2/3 % = **A**
(from Schedule 7)

Foreign non-business income tax credit from line 632

Deduct:

Foreign investment income **445** X 9 1/3 % =
(from Schedule 7) (if negative, enter "0") **B**

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

Taxable income from line 360 **1,531,478**

Deduct:

Amount from 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 =

1,531,478 X 26 2/3 % = **408,394** **D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780) **229,964**

Deduct: Corporate surtax from line 600 **17,153**

Net amount **212,811** **212,811** **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 previous 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 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)

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

Part I tax

Base amount of Part I tax - taxable income (line 360 or amount Z, whichever applies) multiplied by 38% 550 581,962 A

Corporate surtax calculation

Base amount from line A above 581,962 1

Deduct:

10% of taxable income (line 360 or amount Z, whichever applies) 153,148 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 360 428,814 a

28% of taxed capital gains b

Part I tax otherwise payable
(line A plus lines C and D minus line F) 212,811 c

Total of lines 2 to 6 153,148 7

Net amount (line 1 minus line 7) 428,814 8

Corporate surtax*

Line 8 428,814 x $\frac{\text{Number of days in the tax year before January 1, 2008}}{\text{Number of days in the tax year}}$ $\frac{365}{365} \times 4\% = 600$ 17,153 B

* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from 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 1,531,478

Deduct:

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

Net amount 1,531,478 1,531,478 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) 599,115 E

Deduct:

Small business deduction from line 430 9

Federal tax abatement 608 153,148

Manufacturing and processing profits deduction from Schedule 27 616

Investment corporation deduction 620

(taxed capital gains 624)

Additional deduction - credit unions from Schedule 17 628

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

Federal foreign business income tax credit from Schedule 21 636

Resource deduction from line 438 10

General tax reduction for CCPCs from amount L 638 107,203

General tax reduction from amount V 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 31 652 108,800

Subtotal 369,151 369,151 F

Part I tax payable - Line E minus line F 229,964 G

Enter amount G on line 700.

Summary of tax and credits

Federal tax

Part I tax payable	700	229,964
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 surtax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		229,964

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 770 229,964 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) -195,164

Refund code **894 1**

Overpayment **195,164**

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** _____

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

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)

Arthur Skidmore
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 ☐

- 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 HALTON HILLS HYDRO INC.		Business Number 867429623 RC 0001		Tax year-end	Year 2006	Month 12	Day 31
Name of corporation contact (for department enquiries)						Telephone Number	
Effective interest date from statement of account balance (where applicable)	Description (Instalment remittance, Split payment, Assessed credit)					Amount of Credit	
	INSTALMENT REMITTANCES					425,128	
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 interest date of the transfer will be the date of assessment.

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 and gifts 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	566,977	
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	67,736	
Total of fields 101 to 199	500	4,805,566	4,805,566

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	1,833,171	
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	489,196	
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	2,054,483	
Total of fields 401 to 499	510	4,439,579	4,439,579

Net income (loss) for income tax purposes - enter on line 300 on page 3 of the T2 return 1,531,478

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, rentals, 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	
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	
Other additions:		
600 Employee future benefit costs accrued	290	25,736
601 Provision for bad debts	291	42,000
602	292	
603	293	
604a		
604b	294	
Total of fields 201 to 294 (enter this amount at line 199 on page 1)		67,736

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 Non-gov't assistance for SR&ED already in income	392	50,000
703 SR&ED current exp capitalized for acct'g	393	459,341
704	394	

Total of fields 300 to 394 (enter this amount at line 499 on page 1) 2,054,483

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8 - Federal

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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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) See note 1 below	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 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) See note 2 below	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	153,279			218,743	76,640	142,103	30.0	42,631	176,112
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	2,811,134			29,239,425	1,303,373	27,936,052		1,833,171	27,406,254

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.

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

General information

- For use by a corporation that during a tax year:
 - earned an investment tax credit (ITC);
 - is claiming a deduction against its Part I tax payable;
 - is claiming a refund of credit earned during the current tax year;
 - is claiming a carryforward of credit from previous tax years;
 - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
 - is requesting a credit carryback; or
 - is subject to a recapture of ITC.
- References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward for credits earned in tax years that end after 1997 and a ten-year carryforward for credits earned in tax years that end before 1998. The apprenticeship job creation tax credit can only be carried back to tax years that end after May 1, 2006.
- Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
 - qualified property (Parts 4 to 7);
 - qualified expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Carried out in Canada*;
 - pre-production mining expenditures (Parts 18 to 20);
 - apprenticeship job creation expenditures (Parts 21 to 23); and
 - child care spaces expenditures (Parts 24 to 28).
- Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return*.
- For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation - Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.
- For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*; Information Circular 86-4, *Scientific Research and Experimental Development*; Pamphlet T4052, *An Introduction to the Scientific Research and Experimental Development Program*; and Guide T4088, *Claiming Scientific Research and Experimental Development - Guide to Form T661*.

Detailed information

- For the purpose of this schedule, "investment" means:
The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be "available for use" before a claim for an ITC can be made.
- Qualified expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
- Partnership allocations - Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151. Special rules apply to specified and limited partners.
- For SR&ED expenditures made after February 22, 2005, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone. For SR&ED expenditures made before February 23, 2005, the expression "in Canada" generally includes the 12 nautical mile territorial sea.

Part 1 - Investments, expenditures and percentages

Investments

Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	Specified percentage 10%
--	-----------------------------

Expenditures

If you are a Canadian-controlled private corporation (CCPC) throughout the tax year, this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10 on page 4)	35%
--	-----

Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10 on page 4), the excess is eligible for an ITC calculated at the 20% rate.

If you are a corporation that is not a CCPC throughout the current tax year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20%
---	-----

If you are a taxable Canadian corporation that incurred pre-production mining expenditures:

- | | |
|--------------------|-----|
| • in 2004 | 7% |
| • after 2004 | 10% |

If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment after May 1, 2006	10%
--	-----

If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25%
--	-----

Part 2 - Determination of a qualifying corporation

Is the corporation a qualifying corporation? **101** 1 Yes ☐ 2 No ☒

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC throughout the current tax year and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its business limit for that previous year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than the total of their business limits for that last year.

Note: A CCPC calculating a refundable ITC for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). For tax years ending after March 22, 2004, the association rule remains the same except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any ITCs earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10 on page 4. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

- a) one or more persons exempt from Part I tax under section 149;
- b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
- c) any combination of persons referred to in a) or b) above.

Part 3 - Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? **102** 1 Yes ☐ 2 No ☒

If yes, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*. Enter contributions on line 350 of Part 8.

QUALIFIED PROPERTY

Part 4 - Eligible investments for qualified property from the current tax year

[illegible]

*CCA: capital cost allowance

Total investment - enter in formula on line 240 in Part 5

Part 5 - Calculation of current-year credit and account balances - ITC from investments in qualified property

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations	210
---	-----

Credit expired *	215
------------------	-----

Subtotal

ITC at the beginning of the tax year 220

Add:

Credit transferred on amalgamation or wind-up of subsidiary	230
---	-----

ITC from repayment of assistance	235
--	-----

Total current-year credit: total of column 125 x 10% = **240**

Credit allocated from a partnership	250
---	-----

Subtotal

Total credit available

Deduct:

Credit deducted from Part I tax (enter on line B1 in Part 30) 260

Credit carried back to the previous year(s) (from Part 6)

Credit transferred to offset Part VII tax liability	280
---	-----

Subtotal

Credit balance before refund

Deduct:

Refund of credit claimed on investments from qualified property (from Part 7)	310
---	-----

ITC closing balance of investments from qualified property	320
--	-----

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 6 - Request for carryback of credit from investments in qualified property

	Year	Month	Day		
1st previous tax year	2005	12	31	Credit to be applied 901
2nd previous tax year	2004	12	31	Credit to be applied 902
3rd previous tax year	2003	12	31	Credit to be applied 903
				Total (enter on line A in Part 5)	

Part 7 - Calculation of refund for qualifying corporations on investments from qualified property

Current-year ITCs (total of lines 240 and 250 in Part 5) C

Credit balance before refund (amount B from Part 5)

Refund (40% of amount C or D, whichever is less) F

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

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

SR&ED

Part 8 - Qualified expenditures for SR&ED

Current expenditures (including contributions to agricultural organizations for SR&ED) *	350	543,999
Capital expenditures	360	
Repayments made in the year (from line 560 on Form T661)	370	
Total (this must equal the amount from line 570 on Form T661) *	380	543,999

* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

Part 9 - Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC throughout the current tax year.

Note: A CCPC that calculates SR&ED expenditure limit for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). This also applies for tax years ending after March 22, 2004, except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? . . . **385** 1 Yes ☒ 2 No ☐

Complete lines 390 and 395 if you answered no to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

a) Enter your taxable income for the previous tax year * (prior to any loss carry-backs applied)	390	
b) Enter your reduced business limit ** for the current tax year * (this amount cannot be more than the amount at line 4 on page 4 of the T2 return)	395	

* If either of the tax years referred to at line 390 or 395 is less than 51 weeks, multiply the taxable income or the business limit by the following result: 365 divided by the number of days in these tax years. For details on the expression "Reduced business limit," see line 652 of the *T2 Corporation - Income Tax Guide*.

**If the corporation is claiming only a portion of the business limit from line 4 on page 4 of the T2 return because of its association with other corporations, calculate your reduced business limit as if the corporation was not associated in the current tax year. Enter the result at line 395.

Part 10 - Calculation of SR&ED expenditure limit for a CCPC throughout the current tax year

For stand-alone corporations:

Calculation of SR&ED expenditure limit of 2,000,000 before February 26, 2008

Limit amount *		\$	
Subtract: line 390 from Part 9 or \$400,000*, whichever is more	x 10	=	
Excess (if negative, enter "0")			F
Line F	x	Line 395	=
		Line 4 on page 4 of the T2 return	
Line G1	x	Number of days before February 26, 2008	=
		Number of days in the tax year	365

Calculation of SR&ED expenditure limit of 3,000,000 after February 25, 2008

Limit amount		\$	
Subtract: line 390 from Part 9 or \$400,000, whichever is more	x 10	=	
Excess (if negative, enter "0")			G3
Line G3	x	Taxable capital used in Canada for previous tax year	=
		- (-)	G4
Line G4	x	Number of days after February 25, 2008	=
		Number of days in the tax year	365

SR&ED expenditure limit - Add lines G2 and G5 **** G**

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 **400** ****H**

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Line G or H	x	Number of days in the tax year	365	=	I
		365	365		

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) **410**

* If your tax year immediately follows a tax year that ended before 2007, the references to \$6,000,000 and \$400,000 should be \$5,000,000 and \$300,000 respectively.

** Amount G or H cannot be more than \$3,000,000 (\$2,000,000 for a tax year that ended before February 26, 2008).

Part 11 - Calculation of investment tax credits on SR&ED expenditures

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*

420	x 35% =		J
Line 350 minus line 410 (if negative, enter "0")	430	543,999	x 20% = 108,800 K
Line 410 minus line 350 (if negative, enter "0")			L
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above *	440	x 35% =	M
Line 360 minus line L (if negative, enter "0")	450	x 20% =	N

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any	460	x 35 % =	
government or non-government assistance, or	470	x 30 % =	
contract payments that reduced the amount of	480	x 20 % =	
qualified expenditures for ITC purposes, the amount		Total	O

of the repayment is eligible for a credit at the rate that would have applied to the repaid amount.

Enter the amount of the repayment on the line that corresponds to the appropriate rate.

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) 108,800

* For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

Part 12 - Calculation of current-year credit and account balances - ITC from SR&ED expenditures

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations	510		
Credit expired *	515		
	Subtotal		

ITC at the beginning of the tax year 520

Add:

Credit transferred on amalgamation or wind-up of subsidiary	530		
Total current-year credit	540	108,800	
Credit allocated from a partnership	550		
	Subtotal	108,800	108,800

Total credit available 108,800

Deduct:

Credit deducted from Part I tax (enter on line B2 in Part 30)	560	108,800	
Credit carried back to the previous year(s) (from Part 13)			P
Credit transferred to offset Part VII tax liability	580		
	Subtotal	108,800	108,800

Credit balance before refund Q

Deduct:

Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)	610		
---	-----	--	--

ITC closing balance on SR&ED 620

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 13 - Request for carryback of credit from SR&ED expenditures

	Year	Month	Day		
1st previous tax year	2005	12	31		Credit to be applied 911
2nd previous tax year	2004	12	31		Credit to be applied 912
3rd previous tax year	2003	12	31		Credit to be applied 913
Total (enter on line P in Part 12)					

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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Part 14 - Calculation of refund of ITC for qualifying corporations - SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 on page 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? **650** 1 Yes ☐ 2 No ☒

Credit balance before refund (amount Q from Part 12) R

Current-year ITC
(lines 540 plus 550 from Part 12 minus line O from Part 11) S

Refundable credits (amount R or S, whichever is less) * T

Amount J from Part 11 U

Subtract: Amount T or U, whichever is less V

Net amount (if negative, enter "0") W

Amount W x 40 % X

Add: Amount V Y

Refund of ITC (amounts X plus Y - enter this, or a lesser amount, on line 610 in Part 12) Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%.

Claim this, or a lesser amount, as your refund of ITC on line Z.

Part 15 - Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations - SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2 on page 2.

Credit balance before refund (amount Q from Part 12) AA

Amount J from Part 11 BB

Subtract: Amount AA or BB, whichever is less CC

Net amount (if negative, enter "0") DD

Amount M from Part 11 EE

Amount DD or EE, whichever is less x 40% FF

Add: Amount CC above GG

Refund of ITC (amounts FF plus GG) HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

RECAPTURE - SR&ED

Part 16 - Calculating the recapture of ITC for corporations and corporate partnerships - SR&ED

You will have a recapture of ITC in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997, or in any of the 10 previous tax years, if the credit was earned in a tax year ending before 1998;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 - If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above 700	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) 710	Amount from column 700 or 710, whichever is less
1.		
2.		
3.		
4.		
5.		

Subtotal (enter this amount on line LL in Part 17)

Calculation 2 - Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16 on page 8.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement 720	B Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition 730	C Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) 740
1.		
2.		
3.		
4.		
5.		

Calculation 2 is continued on page 8.

Part 16 - Calculating the recapture of ITC for corporations and corporate partnerships - SR&ED (continued)
Calculation 2 (continued) - Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line JJ below.

	D Amount determined by the formula (A x B) - C (using the columns on page 7)	E ITC earned by the transferee for the qualified expenditures that were transferred 750	F Amount from column D or E, whichever is less
1.			
2.			
3.			
4.			
5.			
	Subtotal (enter this amount on line MM in Part 17)		
			JJ

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12 on page 5. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line KK below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line NN in Part 17) **760** KK

Part 17 - Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from line II in Part 16 on page 7	LL
Recaptured ITC for calculation 2 from line JJ in Part 16 above	MM
Recaptured ITC for calculation 3 from line KK in Part 16 above	NN
Total recapture of SR&ED investment tax credit - Add lines LL, MM and NN	OO

Enter amount OO at line A1 in Part 29.

PRE-PRODUCTION MINING

Part 18 - Pre-production mining expenditure

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year and after 2002. Attach additional schedules if more space is needed.

	List of minerals 800
1.	
2.	
3.	
4.	

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only. Attach additional schedules if more space is required.

	Project name 805	Mineral title 806	Mining division 807
1.			
2.			
3.			
4.			

Pre-production mining expenditures *

Pre-production mining expenditures that the corporation incurred in the tax year and after 2002, for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	810	PP
Geological, geophysical, or geochemical surveys	811	QQ
Drilling by rotary, diamond, percussion, or other methods	812	RR
Trenching, digging test pits, and preliminary sampling	813	SS

Pre-production mining expenditures incurred in the tax year and after 2002 for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	820	TT
Sinking a mine shaft, constructing an adit, or other underground entry	821	UU

Other pre-production mining expenditures incurred in the tax year and after 2002 (attach additional schedules if more space is required):

	Description 825	Amount 826
1.		
2.		
3.		
4.		

Add amounts at column 826 VV

Total pre-production mining expenditures (add amounts PP to VV) **830**

Deduct: Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above **832**

Excess (line 830 minus line 832)(if negative, enter "0") WW

Add: Repayments of government and non-government assistance **835** XX

Pre-production mining expenditures (amount WW plus amount XX) YY

* A pre-production mining expenditure is defined under subsection 127(9) and does not include an amount renounced under subsection 66(12.6).

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end 2006/12/31
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Part 19 - Calculation of current-year credit and account balances - ITC from pre-production mining expenditures

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations **841**

Credit expired * **845**

Subtotal **850**

ITC at the beginning of the tax year **850**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **860**

Expenditures from line YY, Part 18, incurred in 2003 **865** x 5% = **ZZ**

Expenditures from line YY, Part 18, incurred in 2004 **867** x 7% = **AAA**

Expenditures from line YY, Part 18, incurred after 2004 **870** x 10% = **BBB**

Total current-year credit (add amounts ZZ, AAA and BBB) **880**

Total credit available

Deduct:

Credit deducted from Part I tax (enter on line B3 in Part 30) **885**

Credit carried back to the previous year(s) (from Part 20) **CCC**

Subtotal **890**

ITC closing balance from pre-production mining expenditures **890**

* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

Part 20 - Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day		
1st previous tax year	2005	12	31	Credit to be applied	921
2nd previous tax year	2004	12	31	Credit to be applied	922
3rd previous tax year	2003	12	31	Credit to be applied	923
Total (enter on line CCC in Part 19)					

APPRENTICESHIP JOB CREATION

Part 21 - Calculation of total current-year credit - ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) **611** 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Read Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Also enter the name of the eligible trade, the eligible salary and wages* payable for employment after May 1, 2006, and 10% of this amount. Then enter the lesser of 10% of eligible salary and wages or \$2,000. Attach additional schedules if more space is needed.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10% 604	E Lesser of column D or \$2000 605
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

Total current-year credit (enter at line 640)

* Net of any other government or non-government assistance received or to be received.

Part 22 - Calculation of current-year credit and account balances - ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year

Deduct:

Credit deemed as a remittance of co-op corporations **612**

Credit expired after 20 tax years **615**

Subtotal **625**

ITC at the beginning of the tax year **625**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **630**

ITC from repayment of assistance **635**

Total current-year credit (total of column 605) **640**

Credit allocated from a partnership **655**

Subtotal **690**

Total credit available

Deduct:

Credit deducted from Part I tax (enter on line B4 in Part 30) **660**

Credit carried back to the previous year(s) (from Part 23) **DDD**

Subtotal **690**

ITC closing balance from apprenticeship job creation expenditures **690**

Part 23 - Request for carryback of credit from apprenticeship job creation expenditures

Carryback of this credit is restricted to tax years ending after May 1, 2006.

	Year	Month	Day		
1st previous tax year	2005	12	31	Credit to be applied	931
2nd previous tax year	2004	12	31	Credit to be applied	932
3rd previous tax year	2003	12	31	Credit to be applied	933
Total (enter on line DDD in Part 22)					

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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CHILD CARE SPACES

Part 24 - Eligible child care space expenditures

Enter the eligible expenditures that the corporation incurred after March 18, 2007, to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation is not a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Attach additional schedules if more space is needed.

Cost of depreciable property from the current tax year

CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			

*CCA: capital cost allowance

Cost of depreciable property from the current tax year **715**

EEE

Add: Specified child care start-up expenditures from the current tax year **705** _____ FFF

Total gros eligible expenditures for child-care spaces (line 715 plus line 705) _____ GGG

Deduct: Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line GGG) **725** _____ HHH

Excess (amount GGG minus amount HHH) (if negative, enter "0") _____ III

Add: Repayments of government and non-government assistance **735** _____ JJJ

Total eligible expenditures for child care spaces (amount III plus amount JJJ) **745** _____

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

Part 25 - Calculation of current-year credit - ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred after March 18, 2007, to a maximum of \$10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)		x 25%	=		KKK
Number of child care spaces	755	x 10,000	=		LLL
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)					MMM

Part 26 - Calculation of current-year credit and account balances - ITC from child care spaces expenditures

ITC at the end of the previous tax year

Deduct:					
Credit deemed as a remittance of co-op corporations	765				
Credit expired after 20 tax years	770				
Subtotal			▶		

ITC at the beginning of the tax year 775

Add:					
Credit transferred on amalgamation or wind-up of subsidiary	777				
Total current-year credit (amount MMM above)	780				
Credit allocated from a partnership	782				
Subtotal			▶		

Total credit available

Deduct:					
Credit deducted from Part I tax (enter on line B5 in Part 30)	785				
Credit carried back to the previous year(s) (from Part 27)				NNN	
Subtotal			▶		

ITC closing balance from child care spaces expenditures 790

Part 27 - Request for carryback of credit from child care space expenditures

	Year	Month	Day			
1st previous tax year	2005	12	31	Credit to be applied	941	
2nd previous tax year	2004	12	31	Credit to be applied	942	
3rd previous tax year	2003	12	31	Credit to be applied	943	
Total (enter on line NNN in Part 26)						

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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RECAPTURE - CHILD CARE SPACES

Part 28 - Calculating the recapture of ITC for corporations and corporate partnerships - Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
 - disposed of or leased to a lessee; or
 - converted to another use.

In the property disposed of is a child care space, the amount that can reasonably be

considered to have been included in the original ITC (paragraph 127(27.12)(a)) **ZZZ**

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC **795**
 25% of either the proceeds of disposition (if sold in an arm's length transaction)
 or the fair market value (in any other case) of the property **797**

Amount from line 795 or line 797, whichever is less **000**

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26 on page 13. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC **799** **PPP**

Total recapture of child care spaces investment tax credit - Add lines ZZZ, 000, and PPP **QQQ**
 Enter amount QQQ on line A2 in Part 29.

Part 29 - Total recapture of investment tax credit

Recaptured SR&ED ITC from line OO in Part 17 on page 8 **A1**

Recaptured child care spaces ITC from line QQQ in Part 28 above **A2**

Total recapture of investment tax credit - Add lines A1 and A2 **A3**

Enter amount A3 on line 602 of the T2 return.

Part 30 - Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) **B1**

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) **108,800 B2**

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) **B3**

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) **B4**

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) **B5**

Total ITC deducted from Part I tax (add lines B1, B2, B3, B4, and B5) **108,800 B6**

Enter amount B6 at line 652 of the T2 return.

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*, to help you fill out this form. You can also consult our Web site at 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 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 T2SCH31 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) http://www.	
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 (519) 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 Deloitte & Touche LLP	

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.

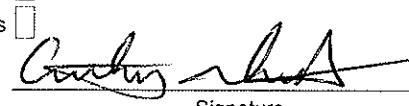
I understand that my election (choice) is irrevocable for this year.

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 _____

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


 Signature

1702007/06/30
 Date

For Canada Revenue Agency use only

490 _____	491 _____	492 _____
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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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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** 3

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 HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year 2006	Month 12	Day 31
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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&ED portion of salary or wages of employees directly engaged in SR&ED:

• employees other than specified employees	300	50,680
• specified employees (do not include bonuses or remuneration based on profits) (see guide)	305	
Amounts deemed incurred in the year under subsection 78(4) (salary or wages)	310	
Unpaid amounts deemed not incurred in the year under subsection 78(4)	315	
Cost of materials consumed in the prosecution of SR&ED	320	459,341
Cost of materials transformed in the prosecution of SR&ED	325	
SR&ED contracts performed on your behalf (complete Schedule F):		
• arm's length contracts	340	56,956
• non-arm's length contracts	345	
Lease costs of equipment used:		
• all or substantially all (90% of the time or more) for SR&ED	350	
• 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".	355	
Overhead or other expenditures (enter "0" if you use the proxy method)	360	
Subtotal (add lines 300 to 360; do not add line 315)	365	566,977
Third-party payments (complete Schedule A)	370	
Total current SR&ED expenditures (add lines 365 and 370)	380	566,977
Capital expenditures (for ASA equipment, see guide)	390	
Total allowable SR&ED expenditures (add lines 380 and 390)	400	566,977

Step 2 - Pool of deductible SR&ED expenditures

Amount from line 400		566,977
less		
• government and non-government assistance for expenditures included on line 400	430	50,000
• SR&ED ITC claimed last year (other than ITC on shared-use equipment)	435	27,781
• sale of SR&ED capital assets (see guide) and other deductions	440	
add		
• previous year's ending balance in the pool of deductible SR&ED expenditures	450	
• amount of ITC recaptured in the preceding tax year	453	
• adjustments to the pool of deductible expenditures (complete Schedule B, Section 1)	454	
Amount available for deduction (If the amount is negative, enter "0" and add to income in the year)	455	489,196
Deduction claimed in the year	460	489,196
Current year's balance of deductible SR&ED expenditures applicable to future years (line 455 minus line 460)	470	

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)	492	566,977	496	
add				
• unpaid amounts (other than salary or wages) from previous years that were paid in the year under subsection 127(26)	500			
• prescribed proxy amount (complete Schedule D); enter "0" if you use the traditional method	502	27,022		
• expenditures on shared-use-equipment (See Note 1)			504	
• qualified expenditures transferred to you (from Form T1146)	508		510	
less				
• government and non-government assistance, and contract payments	534	50,000	536	
• amounts from lines 552 and 554 of Schedule B, Section 2	552		554	
• amounts from lines 555 and 556 of Schedule C	555		556	
Subtotal	557	543,999	558	
SR&ED qualified expenditure pool (add lines 557 and 558)			559	543,999
add				
• Repayments of assistance and contract payments made in the year			560	
Total SR&ED expenditures that qualify for ITC purposes (add lines 559 and 560)*			570	543,999

* To claim an ITC on this amount, you must complete Schedule T2SCH31 - 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.

Expenditures for SR&ED performed by you (line 400 minus line 340, 345, and 370) 605 510,021

A. Sources of funds for SR&ED

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.

	Canadian (%)	Foreign (%)
Internal 600 <u>100.00</u>		
Parent companies, subsidiaries, and affiliated companies 602 _____		604 _____
Federal grants (do not include funds or tax credits from SR&ED tax incentives) 606 _____		
Federal contracts 608 _____		
Provincial funding 610 _____		
SR&ED contract work performed for other companies on their behalf 612 _____		614 _____
Other funding (e.g., universities, foreign governments) 616 _____		618 _____

B. Business personnel

Total number of employees 630 50

SR&ED personnel (full time SR&ED staff, plus full-time equivalent for staff engaged part-time in this activity):

Scientists and engineers 632 _____	Technologists and technicians 634 <u>1</u>
Managers and administrators 636 _____	Other technical supporting staff 638 _____

C. Nature of SR&ED work

From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:

Basic research (no specific application in view) 650 _____		Applied research (specific practical application in view) 652 _____
Development of new: product 654 _____	process 656 <u>100.00</u>	technical services 658 _____
Improvement to existing: product 660 _____	process 662 _____	technical services 664 _____

D. Specialized field of research

Indicate, if applicable, the percentage of the amount on line 605 attributed to the following fields of research:

Software development 670 _____	Biotechnology 672 _____	Environmental protection 674 _____
---	--	---

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 ☒
2. Signed the "Certification and Election" section in Part 1 of Form T661 ☒
3. Indicated the method you have chosen for reporting your SR&ED expenditures in fields 160 or 162 of Part 1 ☒
4. Provided a summary of information for each project, with a breakdown of expenditures (labour, materials, and contracts) as per Schedule E. ☒
5. Submitted a detailed project description of your 20 largest projects in terms of their dollar value ☒
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 ☒
7. Completed Part 4 - Background Information ☒
8. Completed schedules A, B, C, D, E and F, if they apply to your situation, and attached to form T661 ☒
9. Filed a completed Schedule T2SCH31, *Investment Tax Credit - Corporations*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, to claim ITCs on your qualified SR&ED expenditures ☒

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 T2SCH31 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 HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Tax year-end	Year 2006	Month 12	Day 31
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Schedule A - Third-party payment for SR&ED

(Complete Schedule A if you made only one third-party payment for SR&ED and attach it to Form T661. If you made more than one third-party payment, complete a copy of Form T1263, *Schedule A - Additional - Third-party payment for SR&ED*, for each additional payment and attach them to Form T661.)

A third-party payment includes:

- a payment to certain approved entities to be used for SR&ED carried out in Canada that is related to a business that you carry on but only if you are entitled to exploit the results of that SR&ED.
- a payment to a corporation resident in Canada to be used for SR&ED carried out in Canada that is related to a business that you carry on but only if you are entitled to exploit the results of that SR&ED.
- a payment to a non-profit SR&ED corporation resident in Canada that is for basic or applied research carried out in Canada. The current version of Interpretation Bulletin IT-151 describes the circumstances under which you can deduct the payment.

The prepaid expense rule in subsection 18(9) applies to a third-party payment; therefore, the payer can deduct the payment under subsection 37(1) only after the SR&ED is performed.

A third-party payment does not include a payment made for SR&ED to be performed on your behalf.

You do not need to submit project descriptions with Form T661 for expenditures you report as a third-party payment on line 370 except for information requested on lines 736, 738 and 740 below. However, you must be able to substantiate that the payment is to be used for SR&ED in Canada, that the SR&ED is related to a business that you carry on, and that you are entitled to exploit the results of that SR&ED. Such substantiation would be contained in the terms of the agreement between you and the third-party entity. You do not have to submit the agreement now, but you must supply it when we ask for it.

1. Identification

Required information

701 Name of the third-party		
702 Address (Street number and name)		
City	Province / Territory	Postal Code
704 Total amount paid in the year		

Provide a list of the research projects which relate to the third-party entity

706 Name or code of the projects	
1. _____	4. _____
2. _____	5. _____
3. _____	6. _____

Place an "X" beside the appropriate category to indicate the type of entity:

711 Approved association	1 Yes	<input type="checkbox"/>
712 Non-profit SR&ED corporation resident in Canada	1 Yes	<input type="checkbox"/>
714 An approved university, college, research institute, or other similar institution	1 Yes	<input type="checkbox"/>
716 Granting council	1 Yes	<input type="checkbox"/>
718 Other corporation resident in Canada	1 Yes	<input type="checkbox"/>
721 Are you dealing at arm's length with the recipient?	1 Yes	<input type="checkbox"/>
	2 No	<input type="checkbox"/>

2. Nature of payment

Place an "X" beside the appropriate category to indicate the type of work:

The payment is for:	
731 Experimental development	1 Yes <input type="checkbox"/>
732 Applied research	1 Yes <input type="checkbox"/>
734 Basic research	1 Yes <input type="checkbox"/>
• Briefly explain what the payment is for:	
736 _____	
• Briefly explain how the SR&ED is related to a business that you carry on:	
738 _____	
• Briefly explain how you are entitled to exploit the results of the SR&ED:	
740 _____	

Schedule D - Calculation of Salary Base and Prescribed Proxy Amount

If you are using the proxy method, complete this calculation table and attach it to Form T661.

This table will help you to calculate the prescribed proxy amount (PPA) to enter on line 502 of Form T661. You can only claim a PPA if you elected in Part 1 of Form T661 (line 160) to use the proxy method for the year.

The PPA is 65% of the salary base determined in Section A. The salary base is the total of salary or wages paid to and incurred for the employees directly engaged in SR&ED in Canada during the year.

Special rules apply for specified employees. Calculate your salary base in Section A, the PPA in Section B, and the salary or wages of specified employees eligible to be included in the salary base in Section C.

Section A - Salary Base

Salary or wages of employees directly engaged in SR&ED, other than specified employees (from line 300)	810	50,680
Less:		
Remuneration based on profits, bonuses, and taxable benefits under sections 6 and 7 of the Act, included on line 810 above	812	9,108
Subtotal (line 810 minus line 812)	814	41,572
Plus:		
Total salary or wages of specified employees directly engaged in SR&ED (per Section C, total of column 6 below)	816	
Salary base (total of lines 814 and 816)	818	41,572

Section B - Prescribed Proxy Amount

Calculate 65% of the salary base per line 818 820 27,022

Report the PPA on line 502 of Part 3, Step 3 of Form T661.

In certain situations, an overall cap on the PPA may limit the amount otherwise determined (see Table 7 in the guide).

Section C - Determining the salary or wages of specified employees

Special rules apply to restrict the amount of salary or wages of specified employees that you can include in the salary base. Use the chart below to calculate this amount.

850 Column 1	852 Column 2	854 Column 3	856 Column 4	858 Column 5**	860 Column 6
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED)*	% of time spent on SR&ED in Canada (Maximum 75%)	Amount in column 2 multiplied by % in column 3	$2.5 \times A \times B / 365$	Amount in column 4 or 5, whichever amount is less
Total (enter total of column 6 amounts on line 816 in Section A above).					

* Do not include bonuses, remuneration based on profits, or taxable benefits under sections 6 and 7 of the Act.

** A is the year's maximum pensionable earnings (section 18 of the *Canada Pension Plan*) for the calendar year in which your tax year ends. The year's maximum pensionable earnings for 2008 are \$44,900 (total $\$44,900 \times 2.5 = \$112,250$), for 2007 are \$43,700 (total $\$43,700 \times 2.5 = \$109,250$), for 2006 they are \$42,100 (total $\$42,100 \times 2.5 = \$105,250$), and for 2005 they are \$41,100 (total $\$41,100 \times 2.5 = \$102,750$).

B is the number of days in the taxation year that you employ the individual.

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

Schedule E - List of all SR&ED projects claimed in the year (attach to Form T661).

For each project you are claiming, provide the following information using the table below. Expenditures should be recorded and allocated on a project basis.

210 Project identification: code or name	212 Start date (yyyy/mm/dd)	214 Finish date (yyyy/mm/dd) Actual or expected	216 Total labour expenditures in tax year	218 Total expenditures of materials in tax year	220 Total contract expenditures in tax year
1. HHH-2005-02	2006/01/01	2006/09/30	3,428		
2. HHH-2006-01	2006/01/01	2006/12/31	14,337		8,491
3. HHH-2006-03	2006/01/01	2006/12/31	32,915	459,341	48,465
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Use copies of this schedule if you have more than 40 projects and attach them to Form T661.

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

Schedule F - Arm's Length and Non-Arm's Length SR&ED Contracts (attach to Form T661).

Complete this schedule only if the total dollar amount per contractor for the year is greater than \$30,000. If necessary, use copies of this schedule and attach them to Form T661.

Section A - Number of contractors for whom you have to report and provide details in Section B and C:

Arm's length contractors (complete section B below) 1 900

Non-arm's length contractors (complete section C below) 920

Section B - Complete this section for each arm's length contractor

902	904	906	908	910	912
Name of contractor	Contractor's Business No. or GST Registration No.	Number of contracts per contractor	Total dollar amount per contractor greater than \$30,000	Project code for expenditures claimed in the year (if available)	Total contract expenditures in tax year
AGSI	887873784	1	46,000	HHH-2006-03	46,000
The total of column 912 is included in the total of line 340 in Part 3, Step 1 of Form T661.					Total 46,000

Section C - Complete this section for each non-arm's length contractor

922	924	926	928	930	932
Name of contractor	Contractor's Business No. or GST Registration No.	Number of contracts per contractor	Total dollar amount per contractor greater than \$30,000	Project code for expenditures claimed in the year (if available)	Total contract expenditures in tax year
The total of column 932 is included in the total of line 345 in Part 3, Step 1 of Form T661.					Total

Halton Hills Hydro Inc.

BN: 86742 9623 RC0001

**SCIENTIFIC RESEARCH &
EXPERIMENTAL DEVELOPMENT
TECHNICAL SUBMISSION**

FOR THE

Year Ended December 31st, 2006 & 2007

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Company Information

Halton Hills Hydro was established in 1980 (formerly known as Acton and Georgetown Hydro Electric Commissions) and is based in Acton, Ontario. The company operates and maintains a hydro distribution system servicing Acton, Georgetown and Esquesing Township. Additionally, they have affiliate companies that provide fibre optic and wireless services to the same region. In 2006 and 2007, Halton Hills Hydro employed over 100 people of which 5 individuals from their technical team contributed to SR&ED efforts.

2006 AND 2007 SR&ED CLAIM INFORMATION

This SR&ED submission details the activities related to the work performed by Halton Hills Hydro. In January of 2006, Halton Hills Hydro initiated a pilot project to develop a technological system to facilitate load shifting through the use of battery power storage. The ability to shift loads from peak use periods to lower use periods through the storage of power would reduce the demand for power production during these peak periods where power generation is at capacity. However, there remains significant uncertainty associated with the integration and synchronization of this system with the existing power grid. Halton Hills Hydro has taken the initiative with this pilot project which is the first of its kind in North America. The project involved the development and testing of a small scale one-of-a kind prototype load shifting system. Other projects performed by Halton Hills Hydro in 2006 and 2007 included design and development related to grounding techniques for transformer stations, and sub-station communication and control. Additionally, Halton Hills Hydro technical staff assisted in the developmental efforts in their affiliate fibre optic company, Halton Hills Fibre Optics Inc.

Halton Hills Hydro Inc.

BN: 86742 9623 RC0001

SR & ED Technical Submission – For the Years Ended December 31, 2006 & 2007

2006 SR&ED Expenditure Summary

Halton Hills Hydro Inc.
SR&ED Costing Summary
01-Jan-06 to 31-Dec-06

Project Code	Description	Non Specified Labour	Material Consumed	Contract Payments	Subtotal Current SR&ED Expenditures	Overhead - Proxy	Total Eligible SR&ED Expenditures
HHH-2005-02	Methods to Couple a Coarse Wavelength Division Multiplexing Based Fibre Network with a Copper Based Phone Network to Provide Complete Redundancy	3,428	-	-	3,428	2,143	5,571
HHH-2006-01	Development of Wireless Network Modelling Techniques over Rural Geographic Terrain to Improve Connectivity	14,337	-	8,491	22,828	7,267	30,095
HHH-2006-03	Process Development to Facilitate Hydro Grid Load Shifting through Battery Power Storage	32,915	459,341	48,465	540,721	17,612	558,333
All projects total		50,680	459,341	56,956	566,977	27,022	593,999

2007 SR&ED Expenditure Summary

Halton Hills Hydro Inc.
SR&ED Costing Summary
01-Jan-07 to 31-Dec-07

Project Code	Description	Non Specified Labour	Contract Payments	Subtotal Current SR&ED Expenditures	Overhead - Proxy	Total Eligible SR&ED Expenditures
HHH-2007-01	Development of Improved Grounding Techniques for a Transformer Station within Close Proximity to an Electrical Generating Station	30,922	24,689	55,611	17,194	72,805
HHH-2007-02	Techniques to update communication protocols with remote sub-stations with zero downtime	7,547	-	7,547	4,867	12,414
All projects total		38,469	24,689	63,158	22,061	85,219

Project Ref/Code: HHH-2005-02

Project Title: Methods to Couple a Coarse Wavelength Division Multiplexing Based Fibre Network with a Copper Based Phone Network to Provide Complete Redundancy

Start Date: January 2005

End Date (Anticipated): September 2006

Area of Science or technology: This project involves experimental development, in the following fields of science or technology:

- Mechanical and Electrical Engineering

Project Leader: Massimo Marin (Technical Lead – Halton Hills Fibre Optics)

Company Background to the Project:

This project involved attempting to bring broadband services to the local school board and corporate clients, initially on a trial basis. There were two aspects to this project which involved the creation of new technical knowledge. The first was the use for the first time of Coarse Wavelength Division Multiplexing (CWDM) by Halton Hills Hydro Fibre Optics, and to the best of our knowledge was the first time this technology was to be used in the Canadian environment. Secondly, the project called for coupling the fibre with the Bell Canada network to provide complete redundancy. This was the first time that this meshing of optical with traditional telephone networks had been tried anywhere. We were uncertain if we could efficiently converge these technologies and achieve the required Quality of Service (QOS) levels.

This project is a continuation of research and development work still in progress at the end of the previous fiscal period as described in the SR&ED submission for the year ending December, 2005, Project Ref: P02-2005 – Advancing Optical Fibre to the Premise (FTTP) Technology.

A. Scientific or Technological Objectives:

The technological object of this project is to develop the capability to efficiently deliver broadband communication services to school boards and corporations in the rural Halton Hills region using a new CWDM optical fibre technology and to mesh the resulting fibre network with the traditional Bell Canada wired network to provide complete redundancy and flexibility.

B. Technology or Knowledge Base Level:

Traditionally fibre optic networks have required two optical fibre strands, one for transmission and one for receiving, to achieve full duplex transmission i.e. simultaneous bidirectional communications. In this project Halton Hills Fibre Optics is attempting to implement full duplex publications using a single optical fibre with two different optical wavelengths, one for transmission one for receiving. Single strand fibre increases reliability by reducing the points of failure due to the reduction in the amount of equipment at both ends of the link. Long haul Synchronous Optical Network Technology (SONET) is well established; however our initial analysis determined that Coarse Wavelength Division Multiplexing (CWDM) matches the performance requirements for Halton Hills Fibre territories most efficiently.

Our research and technical due diligence to determine what technology and expertise was available in the public domain, failed to establish solutions for the challenges faced in not only deploying CWDM in the Halton Hills environment but also in coupling the broadband fibre optic communication signals with the wired broadband deployed by the public telephone network. The best and most efficient approach and strategy for deploying these technologies most effectively were unknown. We were uncertain if we could overcome the innumerable technical hurdles involved in deploying these technologies and attempting to make it work effectively with satisfactory QOS, and experimentation is required to determine the most effective communication architectures, topographies, installation and maintenance strategies and protocols.

C. Scientific or Technological Advancement:

The advancement in technical knowledge to be learnt from this experiment was how to best merge two broadband communication technologies to perform a fully redundant system whereby customers could employ their technology or both simultaneously. The CWDM fibre optic cable technology was novel and the procedures and protocols for coupling or merging signals from the fibre to the Bell copper were not established. The architectural, topological and installation strategies to implement and mesh these two networks could be estimated by analysis but the experimental installation is required to confirm the assumptions as well as yield invaluable field knowledge to potentially bring a confidence and maturity to the technologies involved.

D. Description of Work Performed in this Taxation Year:

January 2005 through December 2005 (Summary - For Reference Only)

In 2005, issues such as topography, architecture, installation, maintenance and communications technologies were analyzed to determine a core strategy. We also attempted to overcome the challenges involved with merging the optical communication infrastructure with the established Bell network. This involved attempting to understand Bell's communication protocols as well as those used in the CWDM, and how best to attempt the optical to copper interface. Site work began in August 2005, and initial testing and evaluation of the strategies began in early December 2005 on the first part of the installation.

January 2006 through December 2006

Our initial tests were unsuccessful when attempting to fail over from our fibre network to the copper network. Our analysis of the testing results determined that due to an incompatibility within the design of the initial Bell network set-up, we could not successfully automate the seamless switch over. Working with Bell, as they attempted to redesign their network, we continued over several months to test various fail over scenarios to determine the mechanism by which we could achieve the greatest reliability. Our testing also determined that the proximity of a hydro substation could impact the reliability of our solution. We attempted to overcome this limitation by rerouting the physical connection and Bell wiring to maximize our QOS.

Status/Results at Project or Period End

The technological uncertainties associated with this project were resolved by the end of fiscal 2006.

E. Supporting Information:

- Technical Notebooks
- Design Notes
- Engineering Designs
- CDWM performance measurements

Key Costing Notes:

Key people:	<ul style="list-style-type: none">• Massimo Marin – Technical Lead for optical communications design and development.• Matthew Wright – Testing and verification of fibre network• Mike Maroschak, C.E.T. – Engineering Manager
Contractors:	<ul style="list-style-type: none">• NBM Engineering Inc. – Contracted to assist with fibre network engineering & design and testing.
Materials Consumed:	<ul style="list-style-type: none">• N/A

Project Ref/Code: HHH-2006-01

Project Title: Development of Wireless Network Modelling Techniques Over Rural Geographic Terrains to Improve Connectivity

Start Date: January 2006

End Date (Anticipated): December 2006

Area of Science or technology: This project involves experimental development, in the following fields of science or technology:

- Mechanical and Electrical Engineering

Project Leader: Cheryl Sawa (Project Manager – Wireless Network)

Company Background to the Project:

Hummingbird Wireless is a division of Halton Hills Hydro that provides wireless internet solutions to the surrounding Halton Hills area. Their current network has significant gaps due to the large coverage area required in this region. To address these gaps, they began looking at installing a new tower, but initial studies indicated that the unique terrain (rugged and hilly) in this region would be a significant limitation such that they were uncertain if the proposed tower would solve the connectivity problems in the region. They therefore began experimenting with modelling techniques to simulate their unique geographic region in an effort to fully understand the effects of terrain on network connectivity and coverage in their area.

A. Scientific or Technological Objectives:

The technological objective is to experiment with methods to model geographic regions and terrain to understand the effect on network coverage and connectivity. Ultimately, the model is intended to be used to develop the operating parameters of a new tower that will be used to improve network connectivity.

We will consider the project complete when the model accurately simulates network coverage for our geographic terrain and region such that it can be used to predict the operating parameters of a wireless network tower.

B. Technology or Knowledge Base Level:

Our existing wireless network coverage has specific geographic gaps resulting in connectivity problems in these areas. The gaps are a result of the hilly terrain in our region which results in obstructions for the signal that otherwise would have more than sufficient signal strength to achieve connectivity in these areas. An added limitation is that we are attempting to provide service to a rural region with small pockets of communities spaced well apart and it is not feasible to construct towers for each individual community. In trying to improve connectivity in these areas, it is not as simple as raising the height of the tower, as this will result in nulls in other areas. We therefore need to understand the effect of the entire geographic region (coverage map modelling) in determining tower location and operating parameters such as height and angle. We are aware of mass coverage models used by Bell and Rogers, but these are proprietary software packages. There are point to point modelling programs available but they are limited in their ability to predict coverage areas in hilly terrain due to inherent assumptions in their interpolation techniques. We are therefore unsure of how these assumptions affect our ability to model the network coverage of our unique geographic region.

C. Scientific or Technological Advancement:

If we can advance our knowledge and technological capabilities relating to wireless network modelling, over rural geographic regions, we may be able to predict the coverage of network towers such that we can achieve connectivity to a wider customer base. Specifically, we need to understand the limitations of point to point modelling techniques in areas of changing elevation. The primary challenge we faced was in understanding the relationship between the geographic and environmental parameters specific to our rural region with the operating parameters of the tower and antenna. Additionally, we need to understand through model verification the effects of various assumptions (during the interpolation from a point to point model to a coverage model) on the accuracy of the model.

D. Description of Work Performed in this Taxation Year:

January 2006 through December 2006

In an effort to understand the limitations of point to point modelling techniques in areas of changing elevation, we modelled the network coverage in our entire geographic region using a point to point modelling program. To do so, we needed to consider the specific operating parameters of the antenna (frequency, strength, height, orientation) and cabling as well as geographic and environmental features such as elevation changes and tree heights and the pre-existing rf (radio frequency) landscape. With a coverage model developed, we used it to simulate various tower heights. A total of approximately 6 iterations were considered each requiring a custom model based on the proposed location. After considerable analysis of the simulation results, we proposed a height for the new tower. However, there still remained significant uncertainty as to the accuracy of our modelling technique, and therefore, we would utilize this tower to evaluate the assumptions made during the development of the coverage model.

When the tower became operational, we evaluated the coverage through physical testing in specific areas and compared it to our network coverage map generated by the model where we learned that the theoretical model did not accurately simulate some areas. Specifically, the model inaccurately predicted adequate connectivity in two small communities named Limehouse (between Acton and Halton Hills) and Crewsons Corners (northwest of Acton). We began an in-depth analysis as to the specific nature of the geography in these regions and the difference compared to the model. We learned that the area was significantly hillier in specific locations that were not accurately interpolated in the coverage model. We believe this is a result of limitations related to the input parameters used during the interpolation process for determining elevation changes.

In trying to achieve coverage to the Limehouse community, we began experimenting with the operating parameters of the antenna, more specifically, the mounting angle and verifying the connectivity through physical testing. We were concerned that by changing the parameters, it may affect other areas that were connected. We were unsuccessful at achieving connectivity in Limehouse after several iterations of tilt angles and therefore chose to proceed with an auxiliary tower for this location (not claimed as SR&ED as there was no technological uncertainty associated with this solution). We considered verifying the results with the coverage model, but believed that the limitations of the model in determining elevation changes were too great.

We continued to monitor connectivity over the region to understand the effects of out-of-band and in-band interference caused by varying radio frequencies from other sources. We learned that the noise associated with this interference was unpredictable, and greatly affected the network connectivity as well as the accuracy of our modelling techniques.

Status/Results at Project or Period End

As a result of the model used to predict network connectivity, we are now able to accurately predict connectivity based on various operating parameters of the tower and our geographic region, but only on a point to point basis. In experimenting with the coverage model, we learned the limitations of the interpolation of results from a point to point model to a coverage model as well as limitations associated with radio frequency interference. The tower is now fully operational and the model can be used to evaluate parameter changes on a point to point basis. We do not plan to further develop the network coverage modelling techniques and therefore consider this project closed.

E. Supporting Information:

- Job file
- Drawings
- Model and simulations results

Key Costing Notes:

Key people:	<ul style="list-style-type: none">• Cheryl Sawa (Project Manager) – Technical meetings, system design, analysis of simulation studies, experimentation design• Dan Guatto P. Eng (Engineering Manager) – Technical meetings, system design and supervision of trials and analysis
Contractors:	<ul style="list-style-type: none">• Business Computer Network – Data Collection• Trylon – Antenna testing (tilting)• The Technology Firm – Engineering (simulations) related to coverage map
Materials Consumed:	<ul style="list-style-type: none">• No materials consumed

Project Ref/Code: HHH-2006-03

Project Title: Development of the Power Grid Integration Parameters for a 600V Battery to Facilitate Load Shifting/Peak Shaving

Start Date: January 2006

End Date (Anticipated): December 2006

Area of Science or technology: This project involves experimental development, in the following fields of science or technology:

- Mechanical and Electrical Engineering

Project Leader: Mike Maroschack C.E.T (Engineering Supervisor)

Company Background to the Project:

This project is about developing a battery system that will allow load shifting which is the practice of storing energy during low use times to be used later to supplement the hydro grid during peak consumption periods. While the battery technology is available, the design parameters to integrate such batteries with a hydro grid are not currently available, and therefore we must develop our own integration solution to do this safely and effectively. If successful, the technology has a wide range of applications serving local distribution companies, and commercial and residential consumption applications. Additionally, wind power generation can benefit significantly from this technology due to the unpredictable nature of wind power production.

A. Scientific or Technological Objectives:

The technological objective is to develop the design parameters to integrate large 600 V batteries with the existing power grid such that we can effectively, efficiently and safely conduct load shifts between low and peak power times.

We will consider the project complete when:

- The load shifting system (including transformers, chargers, batteries and switches) can achieve an efficiency of greater than 80%
- We can successfully load shift up to 100 kWh on a daily basis.
- The concept is scalable to supply various amounts of power in different applications (greater than 1 MW for industrial applications)

B. Technology or Knowledge Base Level:

The battery technology we have proposed for this project is a standard sodium-nickel-chloride battery. This technology has been successfully used in electric vehicle applications, but they have never been used in conjunction with a hydro grid to facilitate load shifting. To do so, the system must be designed to synchronise with the grid which is significantly more difficult than simply supplying power to an electric motor. The primary challenges associated with the system design were achieving the aggressive efficiency target of 80% and integrating it with the grid in a safe manner. While the selected battery has a relatively high efficiency rating of 94%, our initial design found the system efficiency was affected by the other system losses, such as transformer, charger, and transmission line losses. All of these combined with the battery losses resulted in an

efficiency rating significantly lower than 80% based upon current designs for standard energy storage systems. Additionally, there are significant safety limitations that need to be considered in developing a storage and distribution system that can be integrated with the existing hydro grid.

C. Scientific or Technological Advancement:

If we can advance our knowledge and technological capabilities relating to drawing, storing and delivering power associated with the existing grid, we may be able to develop a system that will reduce the need for increased power production during peak consumption periods. Achieving such a system has significant uncertainties associated with a suitable equipment configuration capable of safely and effectively stepping down the voltage prior to DC battery charging, and then synchronizing back to the grid with AC power. We will need to advance our knowledge and capabilities relating to power inverting, and increase our understanding of the safety considerations required for such a potentially hazardous electrical configuration.

D. Description of Work Performed in this Taxation Year:

January 2006 through December 2006

The work performed in 2006 related to two distinct phases including 1) system design and 2) prototype build required to evaluate the function of the design.

The primary challenge associated with the system design was in integrating the battery such that it could synchronize with the grid in order to safely draw and supply power as required without sufficient energy losses. Our project team developed a design concept to use a DC controller wired in a non-standard, backward configuration to input AC power back to the grid. Several design reviews were conducted resulting in system design changes in an effort to evaluate system efficiency and determine if this configuration was compatible with the power grid. Engineering calculations and simulations indicated that the design was theoretically possible, but our system models lacked sufficient complexity to accurately evaluate the performance safety and the overall system efficiency. As a result a prototype system was planned.

As part of the pilot project, a 100 kWh prototype system was assembled on site in order to evaluate the function of the design. The system size was chosen as it was the smallest amount of power we believed would accurately represent system losses in a scaleable design (greater than 1 MWh for commercial applications). During the prototyping phase, several design changes (including interlocks and fuses configurations) were required as it was unknown what system overload conditions may occur during synchronization with the grid. Additionally, a series of trials were performed off line of the grid to evaluate the function of the independent systems of the design. Upon promising results, the prototype was brought on line with the grid where we conducted measurements and analysis to determine its efficiency. The system was monitored for several months to evaluate the long term system effectiveness sufficient to understand the effects of different power demand periods (summer vs fall). Through the system design efforts we achieved an overall system efficiency of approximately 76%. Further design reviews indicated that we may be able to reduce losses by using only one charger for the batteries instead of a charger for each independent battery.

Status/Results at Project or Period End

By December 2006, we had proven that the battery integration was successful at safely drawing power from the grid, storing the power, and supplying it back to the grid. We have not yet achieved our overall system efficiency objectives. However, the project was put on hold due mainly to the unavailability of batteries but we hope to resume this project in the future to address the efficiency limitations.

E. Supporting Information:

- Job file
- Timesheets
- Drawings/Schematics
- Prototype System (Pilot program)

Key Costing Notes:

Key people:	<ul style="list-style-type: none">• Dan Guatto P. Eng(Engineering Manager) – System design concepts, technical meetings, supervision of trials, and analysis of trial results• Mike Maroschack C.E.T. (Engineering Supervisor) – System design, technical meetings, trials and supervision• Matthew Wright – Trials and prototype equipment set-up• Christopher Hale – System monitoring and data collection during trials
Contractors:	<ul style="list-style-type: none">• AGSI – Programming related to Human Machine Interface (HMI) for prototype system• Electrical Safety Authority – Testing (prototype field evaluation) required to evaluate the individual components and system integration
Materials Consumed:	<ul style="list-style-type: none">• Prototype 100 kWh battery charging and power grid supply system. Required to evaluate system function and efficiency. Due to the small size (power), this unit has no commercial value.

Project Ref/Code: HHH-2007-01

Project Title: Development of Improved Grounding Techniques for a Transformer Station within Close Proximity to an Electrical Generating Station

Start Date: January 2007

End Date (Anticipated): (December 2009)

Area of Science or technology: This project involves experimental development, in the following fields of science or technology:

- Mechanical and Electrical Engineering

Project Leader: Mike Maroschack C.E.T (Engineering Supervisor)

Company Background to the Project:

In the 2006 fiscal year, we began the planning process of expanding our current capabilities through the addition of a new transformer station. We proposed a site that would allow us to tie into an existing 230 kV power supply such that it would not require additional power lines. The initial analysis of the proposed site determined there would be significant limitations relating to grounding due to 1) the proximity to the electrical generating station on the same site and 2) the available space for the transformer station on the site. Both of these factors will require advanced grounding techniques in order to ensure that faults in the equipment do not have adverse effects on the adjacent equipment.

A. Scientific or Technological Objectives:

The objective is to develop improved grounding techniques to reduce the negative effects of the hydro equipment faults. We will consider the project complete when the transformer station can successfully

- Step down the voltage from 230 kV to 27.6 kV (for distribution) while operating on the proposed site (adjacent to the generator).
- Provide sufficient grounding between the various pieces of equipment such that any over voltages in the equipment do not result in an unsafe or dangerous condition for employees or damage to the adjacent equipment.

B. Technology or Knowledge Base Level:

During the conceptual design process for expanding our power distribution capabilities, we proposed several sites for a new transformer station. The most promising of which was a relatively small site (in area) that already included an electrical generating station. The primary limitation of a smaller site is that it's incapable of providing sufficient grounding between electrical equipment such that electrical faults in the equipment can result in an electrical overload of the adjacent equipment. Worse yet, this situation can result in an extremely hazardous work environment resulting in the electrocution of workers on site. The proposed site was approximately 2.7 acres. This was roughly half the size the industry normally required to ensure adequate distance between the generator and the transformer using industry standard grounding techniques such as the addition of underground copper to dissipate the energy. Considering the size of the land, this grounding technique would not dissipate the energy underground quickly enough to ensure no damage to neighbouring

equipment. Adding to the grounding problem was that the site was also approximately 500 meters away from a 500 kV switching station whose faults could negatively affect our equipment.

C. Scientific or Technological Advancement:

If we can advance our knowledge and technological capabilities relating to the energy dissipation of high voltage spikes we may be able to develop a concept that will allow the placement of a transformer station in close proximity to other electrical equipment such as a generating station and a high voltage switching station. To do so, we must understand the inherent grounding capabilities (soil resistivity) of the land based on its varying composition of the soil, as well as the effects of the design of nearby hydro equipment (generating station and switching station).

D. Description of Work Performed in this Taxation Year:

January 2007 through December 2007

The work performed in 2007 focused on gaining an understanding of the proposed site as well as the design of the nearby electrical equipment in order to evaluate their affect on the dispersion of electrical energy (high voltage spike). We performed an initial grounding study where we measured, and analyzed various parameters such as soil resistivity and its influence on grounding capacity. We also collected data on, and evaluated the available fault current of the transmission lines. A series of engineering calculations were then performed to determine the amount of grounding required. This information would be used to develop the necessary grounding techniques for this design concept to ensure safe operation of the electrical equipment. To support our overall grounding capacity development we contracted Costello Associates who assisted in the site testing and engineering studies related to grounding.

Status/Results at Project or Period End

By the end of 2007, we had gained a preliminary understanding of the grounding capabilities of the existing site. The data collected during the 2007 studies are required to support the development of advanced grounding techniques for the proposed site. This work will continue into the next fiscal year where we will need to understand the environmental affects of the grounding work.

E. Supporting Information:

- Job file
- Timesheets
- Drawings/Schematics

Key Costing Notes:

Key people:	<ul style="list-style-type: none">• Dan Guatto P. Eng (Engineering Manager) – Technical meetings, analysis of engineering studies• Mike Maroschack C.E.T (Engineering Supervisor) – Technical meetings, supervision of design.• Matthew Wright – Technical meetings, design
Contractors:	<ul style="list-style-type: none">• Costello Associates – Engineering studies (grounding)
Materials Consumed:	<ul style="list-style-type: none">• N/A

Project Ref/Code: HHH-2007-02

Project Title: Techniques to Update Communication Protocols with Remote Sub-Stations with Zero Downtime

Start Date: January 2007

End Date (Anticipated): April 2007

Area of Science or technology: This project involves experimental development, in the following fields of science or technology:

- Mechanical and Electrical Engineering

Project Leader: Matthew Wright

Company Background to the Project:

In previous periods, Halton Hills Hydro has undertaken several initiatives to update our legacy distribution stations to employ modern protection technology and SCADA systems. The goal of this project was to enable us to remotely control the operation of legacy substations by replacing existing Remote Terminal Units (RTU) and proprietary communication protocols with modern communication processors that support the open standard Distributed Network Protocol (DNP3). However, due to the fact that it was not technically feasible to operate the 2 competing network protocols simultaneously, experimental development was required to develop a process where we could replace this equipment in multiple sites without experiencing network downtime.

A. Scientific or Technological Objectives:

The main objective of this project is to enhance our SCADA capabilities by developing a process for replacing existing Remote Terminal Units (RTU) and proprietary communication protocols with modern communication processors. We will consider this project complete when we can successfully convert these systems while introducing zero downtime to the SCADA network.

B. Technology or Knowledge Base Level:

Our existing substations used a proprietary serial protocol over a radio frequency network to communicate from RTUs to our central SCADA Master Station to provide monitoring capabilities. The existing infrastructure did not however, provide any mechanisms to remotely control switches, relays or other equipment at the substation.

Our technical direction was to replace the existing RTUs and serial radio frequency network with modern communication processors and a Wide Area Network/Local Area Network (WAN/LAN) over TCP/IP and make use of the Distributed Network Protocol. DNP3 is a standards-based set of communications protocols that provide interoperability between substation computers, and master stations for the electric utility industry. Our initial analysis determined that we could not efficiently implement a second physical network using fibre optics or other physical mediums. As DNP3 can be used across either serial or IP networks, we believed that we may be able to develop a mechanism that allowed us to effectively convert from the existing proprietary protocol, to DNP3 using the existing physical network. However, our initial testing of the DNP3 protocol capabilities of the communication processors to work in our physical environment discovered deficiencies in the implementation of the DNP3 protocol over TCP/IP and UDP/IP and required upgrades of the processor's firmware.

Our initial analysis also determined that due to the fact that there was only one radio network, we could not use both protocols simultaneously and therefore could not convert the existing protocol at one substation without impacting the communication at other substations using the same physical network. We were therefore uncertain how to convert the protocols at multiple locations without introducing downtime on the SCADA network.

C. Scientific or Technological Advancement:

If we can advance our knowledge relating to the interoperability of the proprietary serial protocols, DNP3 and radio frequency networks we may be able extend our technological capabilities and develop a process for converting the existing radio network to implement the new DNP3 protocol with little or no downtime to the SCADA network.

D. Description of Work Performed in this Taxation Year:

January 2007 through December 2007

By January 2007 the processor firmware upgrades were complete and, we began focusing our efforts on the technical analysis, design and engineering of the new substation communication mechanism to replace the existing proprietary serial protocol. We developed a test bench to simulate the real world conditions between the substation and the SCADA Master Station by connecting a field relay to one of the new communication processors and used an IP radio to communicate with our central antenna. We then attempted to establish reliable control mechanisms by iteratively modifying the communication parameters to ensure that we did not introduce processor conflicts when activating SCADA control points. We then tested these parameters while activating multiple various types of locking switches to ensure that existing switches would work with the relays.

Using the results of this experimentation, we developed a process by which we could install and connect the communication processors to the relays at each of the substations, while not interrupting the existing network, however we could not activate them to establish communication with the SCADA Master Station. We were then required to briefly shutdown the radio network so that we could complete the protocol conversion process and activate the communication processors.

Status/Results at Project or Period End

Although we had not met our zero downtime objective, the technological uncertainties associated with this project were resolved by the end of fiscal 2007.

E. Supporting Information:

- Job file
- Timesheets
- Drawings

Key Costing Notes:

Key people:	<ul style="list-style-type: none">• Matthew Wright – Lead Engineer• Mike Maroschak, C.E.T. – Engineering Manager
Contractors:	<ul style="list-style-type: none">• N/A
Materials Consumed:	<ul style="list-style-type: none">• N/A



Ontario

Ministry of Revenue

2007

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

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 tax 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.

Ministry Use

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

☐ Yes ☒ No

Page 1 of 20

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 ARTHUR SKIDMORE	Telephone No. (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). No. of Schedule(s) <table><tr><td></td></tr></table> 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). <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.

Name 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.

Taxation Year End
2006/12/31



**Exempt From Filing (EFF)
Corporations Tax Return Declaration**

Page 2 of 20

Corporation's Legal Name
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)
1800262

This EFF Declaration must be filed for each taxation year that the corporation is exempt from filing and must be filed within 6 months after the corporation's taxation year end.

Criteria for exempt from filing status:

- | | |
|---|--|
| <p>a) has filed a federal Income Tax Return (T2) with Canada Revenue Agency for the taxation year;</p> <p>b) had no Ontario taxable income for the taxation year (subject to the provisions in Note 2 below);</p> <p>c) had no Ontario Corporations Tax payable for the taxation year;</p> <p>d) was a Canadian-controlled private corporation throughout the taxation year (i.e. generally a private corporation with 50% or</p> | <p>more shares owned by Canadian residents as defined by the <i>Income Tax Act</i> (Canada));</p> <p>e) has provided its Canada Revenue Agency business number to the Ministry of Finance; and</p> <p>f) is not subject to the Corporate Minimum Tax (i.e. alone or as part of an associated group whose total assets exceed \$5 million or whose total revenue exceeds \$10 million for the taxation year).</p> |
|---|--|

Note 1: Filing of this declaration and the Annual Return does not constitute the filing of a Corporations Tax Return under section 75 of the *Corporations Tax Act*.

Note 2: The following loss situations will require otherwise EFF corporations to file a CT23 tax return complete with all related schedules and financial statements:

- If a corporation has a loss in the current taxation year that is to be carried back and applied to a previous taxation year(s), regardless of whether the loss is the same as for federal purposes or not, a CT23 tax return is required for the current taxation year. The corporation must also provide information indicating that the loss is to be carried back and specify the year and the amount of loss to be carried back to each taxation year.

- If a corporation has a prior year loss, that is not the same for both federal and Ontario purposes and the corporation is applying a loss carryforward from the prior year to the current year, a CT23 tax return is required for the current taxation year, and if not previously filed, a CT23 tax return for the prior taxation year in which the loss was incurred is also required. Although a tax return for the loss year is not required where the loss is not being applied, the ministry will accept the filing of a tax return for a loss year at the time the loss is incurred.

- If a corporation has a prior year loss, that is the same for both federal and Ontario purposes, but in the current taxation year the corporation is applying a different amount of loss for Ontario than the loss amount being applied for federal income tax purposes, the corporation is required to file a CT23 tax return for the current taxation year only.

The following 3 items **MUST** be completed for EFF declarations only. In cases where the Annual Return, which includes page 1, is also being filed, completion of these fields is **not** required.

1. Corporation's Mailing Address

2. Ontario Corporation No.
(MGS)

3. Canada Revenue Agency Business No.

If applicable, enter
RC

(Please print name in full)

I, **ARTHUR SKIDMORE**

declare that:

The above corporation meets **all** of the exempt from filing criteria (a) through (f) above for the taxation year and therefore qualifies under the *Corporations Tax Act* as exempt from filing an Ontario Corporations Tax Return.

Signature	Title/Relationship to Corporation	Telephone Number	Date
	CHIEF FINANCIAL OFFI	(519) 853-3700	2007/06/30

Please note that making a false statement to avoid compliance with the *Corporations Tax Act* is an offence which can result in a penalty and/or fine.

If you check "Yes" to **ALL** of the following criteria, you are eligible to file the **CT23 Short-Form Corporations Tax Return**.

To obtain a copy, contact the Ministry Information Centre at the numbers listed on page 2 of the Guide.

Yes	No		Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	a) The corporation is a Canadian-controlled private corporation (CCPC) throughout the taxation year. <small>Indicate Share Capital with full voting rights owned by Canadian Residents</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	d) The corporation's taxation year ends on or after January 1, 2001, and its gross revenue and total assets are each \$1,500,000 or less and the corporation is not a financial institution; or The corporation's taxation year commences after September 30, 2001, and its gross revenue and total assets are each \$3,000,000 or less and the corporation is not a financial institution.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	b) The corporation's taxable income for the taxation year is \$200,000 or less. For a taxation year with less than 51 weeks, taxable income must be grossed-up. (Refer to Guide.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	e) The corporation is not claiming a tax credit other than the Incentive Deduction for Small Business Corporations (IDSBC), Co-operative Education Tax Credit (CETC), Graduate Transitions Tax Credit (GTTC) or Apprenticeship Training Tax Credit (ATTC).
<input type="checkbox"/>	<input checked="" type="checkbox"/>	c) The corporation is not a member of a partnership/joint venture or a member of an associated group of corporations during the taxation year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	f) The corporation's Ontario allocation factor is 100%.

Note: Family Farm or Fishing corporations that have a taxation year ending on or after January 1, 2000 and are not subject to the Corporate Minimum Tax, may also use the **CT23 Short-Form Corporations Tax Return** if the corporation checks "Yes" to a), b), c), e) and f) above.

CT23 Corporations Tax Return

Identification continued (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 %

- ☒ 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 |
|--|-------------------------------------|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Was the corporation inactive throughout the taxation year? | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency? | |
| Are you requesting a refund due to: | |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| the Carry-back of a Loss? | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| an Overpayment? | |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| a Specified Refundable Tax Credit? | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Are you a member of a Partnership or Joint Venture? | |

Complete if applicable

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

n/a

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

111196122

Specify major business activity

DISTRIBUTION OF ELECTRICITY

Income Tax

Allocation - 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(1)(f), B-3008).

portion of taxable income deemed earned in that jurisdiction (s.39)(Int. B. 300R).	
Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)-	± From 690 1,453,396 DOLLARS ONLY
Subtract: Charitable donations -	- 1
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (<i>Attach schedule 2</i>) -	- 2
Subtract: Taxable dividends deductible, per federal Schedule 3 -	- 3
Subtract: Ontario political contributions (<i>Attach Schedule 2A</i>)(Int.B.3002R) -	- 4
Subtract: Federal Part VI.1 tax X 3 -	- 5
Subtract: Prior years' losses applied -	
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 1,453,396
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 1,453,396

Taxable Income

From 10 (or 20 if applicable)

Ontario Allocation

Number of Days in Taxation Year

1,453,396.00	x	30	100.0000	%	x	12.5%	x	33	÷	73	365	=	+	29														
1,453,396.00	x	30	100.0000	%	x	14.0%	x	34	365 ÷	73	365	=	+	32	203,475.00													
Income Tax Payable (before deduction of tax credits)															29	+	32	-	-	-	-	-	-	-	-	=	40	203,475.00

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

Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - - -	- - - - -	- - - - -	- - - - -	50	1,531,478
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	- - - - -	+ 51	1,531,478	•		
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		•		
		=	1,531,478	▶ 54	1,531,478	
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -	55	300,000	•		

Ontario Business Limit Calculation

Days after Dec. 31, 2002 and before Jan. 1, 2004				
320,000 X	31	÷ **	365	= + 46
Days after Dec. 31, 2003				
400,000 X	34	÷ **	365	= + 47 400,000.

Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.

Business Limit for Ontario purposes

46	+	47	-	=	44	400,000.	x	48	100.0000	%	=	45	400,000.
----	---	----	---	---	----	----------	---	----	----------	---	---	----	----------

Subtotal 20% (not 100% if not associated).

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

*** Ontario Allocation

Least of or

** 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.

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Income Tax continued from Page 5

Additional 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 - - - - - **10** **1,453,396**

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 - - - - - **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** **1,453,396**

Claim

Number of Days in Taxation Year

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

33 ÷ **73** **365**

Days after Dec. 31, 2003

34 ÷ **73** **365**

143 Lesser of **130** or **142** • X From **30** **100.0000** % X 1.5% X **33** ÷ **73** **365** = + **154**

143 Lesser of **130** or **142** • X From **30** **100.0000** % X 2.0% X **34** ÷ **73** **365** = + **156**

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** **203,475**

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*

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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 Production

for 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.***194**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.***202****2**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** 193,475To 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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Corporate Minimum Tax (CMT)

Total 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]	203,475
Net CMT Payable (if negative, enter Nil on Page 17.)	- - - - -		= [280]	-127,663

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]	.
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Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits)	- - - - -	+ From [190]	203,475	.
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]	=	75,812	.	[290] 75,812
Income Tax eligible for CMT Credit	- - - - - =	[300]	127,663	.
B. Income Tax (after deduction of specified credits)	- - - - -	+ From [230]	193,475	.
Subtract: CMT credit used to reduce income taxes	- - - - -	[310]		
Income Tax	- - - - - =	[320]	193,475	.

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

Corporation's Legal Name
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Capital Tax (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 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

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+	350	16,161,663.
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	+	351	4,231,115.
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+	352	
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+	353	17,024,242.
Bank loans (Int.B. 3013R)	- - - - -	+	354	
Bankers acceptances (Int.B. 3013R)	- - - - -	+	355	
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+	356	
Mortgages payable (Int.B. 3013R)	- - - - -	+	357	
Lien notes payable (Int.B. 3013R)	- - - - -	+	358	
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+	359	
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+	360	
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+	361	456,900.
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+	362	17,545.
Subtotal	- - - - -	=	370	37,891,465.
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	-	371	-661,085.
Deductible R&D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	-	372	
Total Paid-up Capital	- - - - -	=	380	38,552,550.
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	-	381	
Electrical Generating Corporations Only - All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	- - - - -	-	382	
Net Paid-up Capital	- - - - -	=	390	38,552,550.

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) (Refer to Guide)	- - - - -	+	404	865,552.
Loans and advances to unrelated corporations	- - - - -	+	405	
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+	406	865,551.
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	- - - - -	+	407	
Total Eligible Investments	- - - - -	=	410	1,731,103.

continued on Page 10

DOLLARS ONLY

Capital Tax *continued from Page 9*

Total Assets (Int.B.3015R)

Total 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 (<i>Attach schedule</i>)	- - - - -	+ 422		.
Subtract: Investment in partnership(s)/joint venture(s)	- - - - -	- 423		.
Total Assets as adjusted	- - - - -	= 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		.
Total Assets	- - - - -	= 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 36	÷	73	Total Days 365	= +	501	.
10,000,000	X	Days after Dec. 31, 2005 and before Jan. 1, 2007 37	÷	73	Total Days 365	= +	502	10,000,000 .
12,500,000	X	Days after Dec. 31, 2006 and before Jan. 1, 2008 38	÷	73	Total Days 365	= +	504	.
15,000,000	X	Days after Dec. 31, 2007 39	÷	73	Total Days 365	= +	505	.
Taxable Capital Deduction (TCD)		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 556	÷	73	Total Days 365	= +	511	0.3000 %
0.285%	X	Days after Dec. 31, 2006 and before Jan. 1, 2009 557	÷	73	Total Days 365	= +	512	%
Capital Tax Rate		511 + 512		= 516		0.3000 %		

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Capital Tax Calculation *continued from Page 10*

SECTION C

This 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 exceeds the TCD in , complete the following calculation and transfer the amount from to on page 12, and complete the return from that point.

+	From <input type="text" value="470"/>	37,121,698	.					
-	From <input type="text" value="503"/>		.					
=	<input type="text" value="471"/>	X From <input type="text" value="30"/>	100.0000 % X From <input type="text" value="516"/>	0.3000 % X <input type="text" value="555"/>	365	=+	<input type="text" value="523"/>	.
		Ontario Allocation		Capital Tax Rate		365 (366 if leap year) If floating taxation year, refer to Guide.		Transfer to <input type="text" value="543"/> 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 or and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1. ☐ (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. ☒ (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*

D2. 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

This section 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) 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 - - - - - From 995 -

= 562 -

Capital Tax - - - - - 562 X 555 365 = 563 -

*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

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

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"/>	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) (Refer to Guide)		Ontario Allocation				*365 (366 if leap year)		

<input type="text" value="570"/>	X	<input type="text" value="571"/>	% X From	<input type="text" value="30"/>	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) (Refer to Guide)		Ontario Allocation				*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** 1,531,478.

Transfer to Page 15

Add:

Federal capital cost allowance - - - - -	+	601	1,833,171	•
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-arms' length non-residents ▼				

Number of Days in Taxation Year

612 • X $\frac{5}{12.5} \times$

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

 ÷ **73** 365 = + **633** •

612 • X $\frac{5}{14.0} \times$

Days after Dec. 31, 2003	Total Days
34 365	73 365

 ÷ **73** 365 = + **634** •

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

Federal 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** 489,196 •

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

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** = 2,384,322 • **640** 2,384,322.

Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675) - - - - -	+	650	1,833,171	•
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** 1,895,126 •

Transfer to Page 15

continued on Page 15

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**

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1 - - - - - From \pm 600 1,531,478.
Total of Additions on page 14 - - - - - From = 640 2,384,322.
Sub Total of deductions on page 14 - - - - - From = 681 1,895,126.

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 662	Gross-up of CCA	X	100	- From 662	=	663
	From 30		100.0000			
			Ontario allocation			

Workplace Child Care Tax Incentive (WCCT)

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

Qualifying expenditures: 665	X 30% X	100	=	666
	From 30	100.0000		
		Ontario allocation		

Workplace Accessibility Tax Incentive (WATI)

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

Qualifying expenditures: 667	X 100% X	100	=	668
	From 30	100.0000		
		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: 670	X 30% X	100	=	671
	From 30	100.0000		
		Ontario allocation		

Educational Technology Tax Incentive (ETTI)

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

Qualifying expenditures: 672	X 15% X	100	=	673
	From 30	100.0000		
		Ontario allocation		

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

Ontario Scientific Research Expenses claimed in year in 477
from Ont. CT23 Schedule 161 - - - - - + 679 567,278.

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

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

Total of Deductions

681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 - - - - - = 2,462,404. 680 2,462,404.

Net income (loss) for Ontario Purposes 600 + 640 - 680 - - - - - = 690 1,453,396.

Transfer to Page 4

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)
Balance at Beginning of Year	[700] (2)	[710] (2)	[720] (2)	[730]	[740]	[750]
Add:						
Current year's losses (7)	[701]	[711]	[721]	[731]	[741]	[751]
Losses from predecessor corporations (3)	[702]	[712]	[722]	[732]		[752]
Subtotal	[703]	[713]	[723]	[733]	[743]	[753]
Subtract:						
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]	
Subtotal	[707]	[717]	[727]	[737]	[747]	[757]
Balance at End of Year	[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
[800] 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]
Total	[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.
 (2) 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)
1800262Taxation 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
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
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
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax - - - - + From 230 or 320 193,475

Corporate Minimum Tax - - - - + From 280

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

Premium Tax - - - - - + From 590

Total Tax Payable - - - - - = 950 277,380

Subtract: Payments - - - - - - 960 342,974

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

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

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

Balance - - - - - - = 970 -65,594

If payment due - - - - - Enclosed* 990

If overpayment: Refund(Refer to Guide) = 975 65,594

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 and print your Ontario Corporation's Tax Account No. (MOF) on the back of 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
L7J2A9

ON

Signature

Date

30/06/2007

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

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	181,487
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	153,279			218,743	76,640	142,103	30.0	42,631	176,112
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	2,811,134			29,239,425	1,303,373	27,936,052		1,833,171	27,406,254

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.



Ministry of Revenue
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
HALTON 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)) + 400 566,977

Less: Government and non-government assistance
(From line 430 federal T661 (T2 SCH32)) - 430 50,000

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 = 445 489,196

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 50,301

Federal ITC relating to QORD claimed federally in the preceding taxation year(s) + 462 27,781
(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 27,781

Gross-up for Ontario allocation factor From 468 27,781 ÷ 100.0000 % = 470 27,781
(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.) = 473 567,278

Amount available for deduction = 475 567,278

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) - 477 567,278

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 HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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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) - - - - - + 50,301 •

Add: Amount of federal ITC earned, relating to QORD
(QORD portion of line federal T2 SCH31 for the preceding taxation year) - - - - - + 27,781 •

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: + + - - - - - = 78,082 •

Deduct: Amount of federal ITC, relating to QORD, claimed federally
(QORD portion of line federal T2 SCH31 for the preceding taxation year) - - - - - + 27,781 •

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: + + + - - - - - = 27,781 •

(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: - - - - - - - = 50,301 •

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

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

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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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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	50,301				50,301
2005/12/31		27,781	27,781		
Totals (See note 1, 2 and 3)	725 50,301	740 27,781	755 27,781	770	785 50,301

Notes:

- 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.
- 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.
- 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 HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2006/12/31
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**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	50,301			50,301
2005/12/31		27,781	27,781	
Totals (See note 1 - 6)	825 50,301	840 27,781	855 27,781	870 50,301

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.