



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

arts, sections, subsections, and paragraphs mentioned on this return refer to the *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing. If you need more information about items on the return, see the *T2 Corporation - Income Tax Guide* (T4012).

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

055 Do not use this area**Identification**

Business Number (BN) 001 867429623 RC 0001

Corporation's name

002 HALTON HILLS HYDRO INC.

Has the corporation changed its name since the last time we were notified?

003 1 Yes ☐ 2 No ☒

If Yes, do you have a copy of the articles of amendment?

004 1 Yes ☐ 2 No ☐**Address of head office**

Has the address changed since the last time we were notified?

010 1 Yes ☐ 2 No ☒

011 43 ALICE STREET

012

City
015 ACTONProvince, territory, or state
016 ON

Country (other than Canada)

017

Postal code/Zip code
018 L7J2A9**Mailing address (if different from head office address)**

Has the address changed since the last time we were notified?

020 1 Yes ☐ 2 No ☒

021 c/o

022

023

City

025

Province, territory, or state

026

Country (other than Canada)

027

Postal code/Zip code
028**Location of books and records**

Has the location of books and records changed since the last time we were notified?

030 1 Yes ☐ 2 No ☒

031 43 ALICE STREET

032

City

035 ACTON

Province, territory, or state
036 ON

Country (other than Canada)

037

Postal code/Zip code
038 L7J2A9**040 Type of corporation at the end of the taxation year**

- 1 ☒ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation
2 ☐ Other private corporation 5 ☐ Other corporation (specify, below)
3 ☐ Public corporation

If the type of corporation changed during the taxation year, provide the effective date of the change

043

YYYY MM DD

To which taxation year does this return apply?

Taxation year start

060 2005/01/01

YYYY MM DD

Taxation year-end

061 2005/12/31

YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous taxation year?

063 1 Yes ☐ 2 No ☒

If Yes, provide the date control was acquired

065 YYYY MM DD

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 windup of a subsidiary under section 88 during the current taxation year?

072 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 24.

Is this the final taxation year before amalgamation?

076 1 Yes ☐ 2 No ☒

Is this the final return up to dissolution?

078 1 Yes ☐ 2 No ☒

Is the corporation a resident of Canada?

080 1 Yes ☒ 2 No ☐

If No, give the country of residence on line 081 and complete and attach Schedule 97.

081

Is the non-resident corporation claiming an exemption under an income tax treaty?

082 1 Yes ☐ 2 No ☒

If Yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

085

- 1 ☐ Exempt under paragraph 149(1)(e) or (l)
2 ☐ Exempt under paragraph 149(1)(j)
3 ☐ Exempt under paragraph 149(1)(t)
4 ☐ Exempt under other paragraphs of section 149

No longer required by the CRA. Submit the RSI forms only.

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.

Schedules - Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

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

* We do not print these schedules.

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End 2005/12/31
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Attachments - continued from page 2

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

Additional information

Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter Yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity? (Only complete if Yes was entered at line 281)	282	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 taxation year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the taxation 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	1,900,260	A
Deduct: Charitable donations from Schedule 2	311	325,000	
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction from Schedule 43*	325		
Non-capital losses of preceding taxation years from Schedule 4	331		
Net capital losses of preceding taxation years from Schedule 4	332		
Restricted farm losses of preceding taxation years from Schedule 4	333		
Farm losses of preceding taxation years from Schedule 4	334		
Limited partnership losses of preceding taxation 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		325,000	B
Subtotal (amount A minus amount B)(if negative, enter "0")		1,575,260	C
Add: Section 110.5 additions and/or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	1,575,260	
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)		1,575,260	Z

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

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Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the taxation year

Income from active business carried on in Canada from Schedule 7 400 1,900,260 A
 Taxable income from line 360 on page 3, minus 10/3 of the amount on line 632* on page 7, minus 3 times the amount on
 line 636** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax 405 1,575,260 B

Calculation of the business limit:

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

300,000 x $\frac{\text{Number of days in the taxation year after 2004}}{\text{Number of days in the taxation year}}$ = $\frac{365}{365}$ 300,000 3.1

Add amounts at line 1, 2, 3, and 3.1 300,000 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 at line 410. However, if the corporation's taxation year is less than 51 weeks, prorate the amount from line 4 by the number of days in the taxation 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 at line 410.

Business limit reduction:

Amount C 300,000 x 415 *** D = E
 11,250

Reduced business limit (amount C minus amount E) (if negative, enter "0") 425 300,000 F

Small business deduction - 16% of whichever amount is least: A, B, C, or F 430 48,000 G
 (enter amount G on line 9 of page 7)

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

*** Large corporation tax

- The large corporation tax to be entered at line 415 is the gross Part I.3 tax, which is the amount before deducting the surtax credits, increased to reflect a full-year tax liability if the taxation year is less than 51 weeks. For the purpose of the business limit reduction, the gross Part I.3 tax is equal to 0.225% x (taxable capital employed in Canada minus \$10,000,000).
- If the corporation is not associated with any corporations in both the current and the preceding taxation years, enter the corporation's gross Part I.3 tax for its preceding taxation year.
- If the corporation is not associated with any corporations in the current taxation year, but was associated in the preceding taxation year, enter the corporation's gross Part I.3 tax for its current taxation year.
- For corporations associated in the current taxation year, see Schedule 23 for the special rules that apply.

Accelerated tax reduction

Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction

Reduced business limit (amount from line 425) 300,000 x $\frac{300,000}{\text{line 4 above}}$ = 300,000 A

Net active business income (amount from line 400) * 1,900,260 B

Taxable income from line 360 on page 3 minus 3 times (use '10/4' for taxation years ending before 2003) the amount at line 636** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax 1,575,260 C

Deduct:

Aggregate investment income (amount from line 440 of page 6) D
 Amount C minus amount D (if negative, enter "0") 1,575,260 E

Amounts A, B, or E above, whichever is less 300,000 F

Amount Z from Part 9 of Schedule 27 x 100/7 = G

Amount QQ from Part 13 of Schedule 27 H

Taxable resource income from line 435 of page 5 I

Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17) J

Amount on line 400, 405, 410, or 425 of the small business deduction, whichever is less 300,000 K

Total of amounts G, H, I, J, and K 300,000 L

Amount F minus amount L (if negative, enter "0") M

Accelerated tax reduction - 7% of amount M (enter amount N on line 637 of page 7) N

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

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

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

Resource deduction						
Taxable resource income [as defined in subsection 125.11(1)]					435	A
Amount A	x	Number of days in the taxation year in 2004		X 2% =	B	
		Number of days in the taxation year	365			
Amount A	x	Number of days in the taxation year in 2005	365	X 3% =	C	
		Number of days in the taxation year	365			
Amount A	x	Number of days in the taxation year in 2006		X 5% =	D	
		Number of days in the taxation year	365			
Amount A	x	Number of days after 2006		X 7% =	E	
		Number of days in the taxation year	365			
Resource deduction - total of amounts B, C, D, and E (enter amount F on line 10 of page 7)					438	F

General tax reduction for Canadian-controlled private corporations						
Canadian-controlled private corporations throughout the taxation year						
Taxable income from line 360 on page 3					1,575,260	A
Amount Z from Part 9 of Schedule 27	x 100/7 =				B	
Amount QQ from Part 13 of Schedule 27					C	
Taxable resource income from line 435 above					D	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)					E	
Amount on line 400, 405, 410, or 425 on page 4, whichever is less		300,000			F	
Aggregate investment income from line 440 of page 6					G	
Amount used to calculate the accelerated tax reduction (amount M of page 4)					H	
Total of amounts B, C, D, E, F, G, and H		300,000		300,000	I	
Amount A minus amount I (if negative, enter "0")				1,275,260	J	
Amount N	1,275,260	x	Number of days in the taxation year in 2002		X 3% =	K
			Number of days in the taxation year	365		
Amount N	1,275,260	x	Number of days in the taxation year in 2003		X 5% =	L
			Number of days in the taxation year	365		
Amount N	1,275,260	x	Number of days in the taxation year after 2003		X 7% =	M
			Number of days in the taxation year	365		
General tax reduction for Canadian-controlled private corporations - total of amounts K, L, and M (enter amount N on line 638 of page 7)					89,268	N

General tax reduction						
Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or a non-resident-owned investment corporation						
Taxable income from line 360 on page 3						O
Amount Z from Part 9 of Schedule 27	x 100/7 =				P	
Amount QQ from Part 13 of Schedule 27					Q	
Taxable resource income from line 435 above					R	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)					S	
Total of amounts P, Q, R, and S					T	
Amount O minus amount T (if negative, enter "0")					U	
Amount U	x	Number of days in the taxation year in 2002		X 3% =	V	
		Number of days in the taxation year	365			
Amount U	x	Number of days in the taxation year in 2003		X 5% =	W	
		Number of days in the taxation year	365			
Amount U	x	Number of days in the taxation year after 2003		X 7% =	X	
		Number of days in the taxation year	365			
General tax reduction - total of amounts V, W, and X (enter amount Y on line 639 of page 7)						Y

No longer required by the CRA. Submit the RSI forms only.

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Refundable portion of Part I tax
Canadian-controlled private corporations throughout the taxation year

Aggregate investment income 440	X 26 2/3 % =		A
(amount P from Part 1 of Schedule 7)			
Foreign non-business income tax credit from line 632 on page 7			
Deduct:			
Foreign investment income 445	X 9 1/3 % =		B
(amount O from Part 1 of Schedule 7)			
(if negative, enter "0")			
Amount A minus amount B (if negative, enter "0")			C
Taxable income from line 360 on page 3		1,575,260	
Deduct:			
Amount on line 400, 405, 410, or 425 on page 4, whichever is the least		300,000	
Foreign non-business income tax credit from line 632 of page 7	X 25/9		
Foreign business income tax credit from line 636 of page 7	X 3*		
		300,000	
		300,000	
		1,275,260	
	X 26 2/3 % =	340,069	D
Part I tax payable minus investment tax credit refund (line 700 minus line 780 of page 8)		321,448	
Deduct: Corporate surtax from line 600 of page 7		17,643	
Net amount		303,805	E
Refundable portion of Part I tax - Amount C, D, or E, whichever is the least		450	<NIL> F
for taxation years ending before 2003, "3" is replaced by 10/4.			

Refundable dividend tax on hand			
Refundable dividend tax on hand at the end of the preceding taxation year	460	5,528	
Deduct: Dividend refund for the previous taxation year	465		
		5,528	G
Add the total of:			
Refundable portion of Part I tax from line 450 above			
Total Part IV tax payable from line 360 on page 2 of Schedule 3			
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	480		
			H
Refundable dividend tax on hand at the end of the taxation year - Amount G plus amount H	485	5,528	

Dividend refund			
Private and subject corporations at the time taxable dividends were paid in the taxation year			
Taxable dividends paid in the taxation year from line 460 on page 2 of Schedule 3		X 1/3	I
Refundable dividend tax on hand at the end of the taxation year from line 485 above		5,528	J
Dividend refund - Amount I or J, whichever is less (enter this amount on line 784 of page 8)			

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Part I tax

Base amount of Part I tax -38% of taxable income (line 360 or amount Z, whichever applies) from page 3 550 598,599 A

Corporate surtax calculation

Base amount from line A above 598,599 1

Deduct:

10% of taxable income (line 360 or amount Z, whichever applies) from page 3 157,526 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 taxation year, enter amount a, b, or c below on line 6, whichever is the least:

28% of taxable income from line 360 of page 3 441,073 a

28% of taxed capital gains b

Part I tax otherwise payable
(line A plus lines C and D minus line F) 303,805 c

Total of lines 2 to 6 157,526 7

Net amount (line 1 minus line 7) 441,073 8

Corporate surtax - 4% of the amount on line 8 600 17,643 B

Recapture of investment tax credit from line PPP in Part 21 of Schedule 31 602 C

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

Aggregate investment income from line 440 on page 6 i

Taxable income from line 360 on page 3 1,575,260

Deduct:

Amount on lines 400, 405, 410, or 425 of page 4, whichever is the least 300,000

Net amount 1,275,260 1,275,260 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) 616,242 E

Deduct:

Small business deduction from line 430 of page 4 48,000 9

Federal tax abatement 608 157,526

Manufacturing and processing profits deduction

from amount BB or amount RR of Schedule 27 616

Investment corporation deduction 620

(taxed capital gains 624)

Additional deduction - credit unions from Schedule 17 628

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

Federal foreign business income tax credit from Schedule 21 636

Accelerated tax reduction from amount N of page 4 637

Resource deduction from line 438 of page 5 10

General tax reduction for CCPCs from amount N of page 5 638 89,268

General tax reduction from amount Y of page 5 639

Federal logging tax credit from Schedule 21 640

Federal political contribution tax credit 644

Federal political contributions 646

Federal qualifying environmental trust tax credit 648

Investment tax credit from Schedule 31 652

Subtotal 294,794 294,794 F

Part I tax payable - Line E minus line F (enter amount G on line 700 of page 8) 321,448 G

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	321,448
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		321,448

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 **770 321,448 A**

Deduct other credits:

Investment tax credit refund from Schedule 31	780
Dividend refund from page 6	784
Federal capital gains refund from Schedule 18	788
Federal qualifying environmental trust tax credit refund	792
Canadian film or video production tax credit refund from Form T1131	796
Film or video production services tax credit refund from Form T1177	797
Tax withheld at source	800
Total payments on which tax has been withheld	801
Allowable refund for non-resident-owned investment corporations	
from Schedule 26	804
Provincial and territorial capital gains refund from Schedule 18	808
Provincial and territorial refundable tax credits from Schedule 5	812
Royalties deduc. under Syncrude Remis. Order	815
Tax remitted under Syncrude Remission Order	816
Tax instalments paid	840

Total credits **890 321,448**

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

Refund code **894**

Overpayment

Direct deposit request

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

☐ Start ☐ Change information **910**
 Branch number
914 **918**
 Institution number Account number

If the result is negative, you have an overpayment.
 If the result is positive, you have a balance unpaid.
 Enter the amount on whichever line applies.
 Generally, we do not charge or refund a difference of \$2 or less.
 Balance unpaid

Enclosed payment

898

If the corporation is a Canadian-controlled private corporation throughout the taxation 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 taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2006/06/30
 Date (yyyy/mm/dd)

Arthur A. 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 the language in which you would like to receive correspondence.

Indiquer la langue de correspondance de votre choix. **1 English/Anglais** ☒ **2 Francais/French** ☐

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Net income (loss) after taxes and extraordinary items per financial statements 670,842 A ^x

Add:

Provision for income taxes - current	101	646,313	^x
Provision for income taxes - deferred	102		
Interest and penalties on taxes	103		
Amortization of tangible assets	104	2,875,233	^x
Amortization of natural resource assets	105		
Amortization of intangible assets	106	13,204	^x
Recapture of capital cost allowance from Schedule 8	107		
Gain on sale of eligible capital property from Schedule 10	108		
Income or loss for tax purposes - joint ventures or partnerships	109		
Loss in equity of subsidiaries and affiliates	110		
Loss on disposal of assets	111		
Charitable donations from Schedule 2	112	325,000	[✓]
Taxable capital gains from Schedule 6	113		
Political donations	114		
Holdbacks	115		
Deferred and prepaid expenses	116		
Depreciation in inventory - end of year	117		
Scientific research expenditures deducted per financial statements	118		
Capitalized interest	119		
Non-deductible club dues and fees	120		
Non-deductible meals and entertainment expenses	121	5,787	
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		
Total of fields 201 to 294 on page 2	199	100,521	
Total of fields 101 to 199	500	3,966,058	► 3,966,058

Deduct:

Gain on disposal of assets per financial statements	401	25,444	
Dividends not taxable under section 83 from Schedule 3	402		
Capital cost allowance from Schedule 8	403	1,587,060	
Terminal loss from Schedule 8	404		
Cumulative eligible capital deduction from Schedule 10	405	66,618	
Allowable business investment loss - Schedule 6	406		
Foreign non-business tax deduction under subsection 20(12)	407		
Holdbacks	408		
Deferred and prepaid expenses	409		
Depreciation in inventory - end of prior year	410		
Scientific research expenses claimed in year from Form T661	411		
Tax reserves claimed in current year from Schedule 13	413		
Reserves from financial statements - balance at the beginning of the year	414		
Patronage dividends from Schedule 16	416		
Contributions to deferred income plans from Schedule 15	417		
Total of fields 300 to 394 on page 3	499	1,057,518	
Total of fields 401 to 499	510	2,736,640	► 2,736,640
Net income (loss) for income tax purposes - enter at line 300 on page 3 of the T2 return			<u>1,900,260</u>

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

Add:

Accounts payable and accruals for cash basis - closing	201	
Accounts receivable and prepaid for cash basis - opening	202	
Accrual inventory - opening	203	
Accrued dividends - prior year	204	
Book loss on joint ventures or partnerships	205	1,297
Capital items expensed	206	
All crown charges, royalties, rental, etc.		
- Non-deductible crown payments		
- Taxable portion of Alberta royalty tax credit and other rebates 12(1)(x.2)		
- Other		
Total	207	
Debt issue expense	208	
Deemed dividend income	209	
Deemed interest on loans to non-residents	210	
Deemed interest received	211	
Development expenses claimed in current year	212	
Dividend stop-loss adjustment	213	
Dividends credited to the investment account	214	
Exploration expenses claimed in current year	215	
Financing fees deducted in books	216	
Foreign accrual property income	217	
Foreign affiliate property income	218	
Foreign exchange included in retained earnings	219	
Gain on settlement of debt	220	
Interest paid on income debentures	221	
Limited partnership losses from Schedule 4	222	
Loss from international banking centres	223	
Mandatory inventory adjustment - included in current year	224	
Mining royalties (provincial mining taxes)	225	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Optional value of inventory - included in current year	229	
Other expenses from financial statements		
- for resource loss		
- others		
Total	230	
Recapture of SR&ED expenditures - Form T661	231	
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	29,220
601 Provision for bad debts	291	70,004
602	292	
603	293	
304	294	
Total of fields 201 to 294 (enter this amount at line 199 on page 1)		100,521

Name of Corporation	Business Number	Taxation Year End	Year Month Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005/12/31

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	36,467
Book income of joint venture or partnership	305	
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 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	16,720
701 Reg asset amort incl in tangible asset amort	391	1,004,331
702	392	
703	393	
704	394	
Total of fields 300 to 394 (enter this amount at line 499 on page 1)		1,057,518



Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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- For use by corporations to claim any of the following:
 - charitable donations;
 - gifts to Canada, a province or a territory;
 - gifts of certified cultural property;
 - gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, proposed subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
 - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the change of control;
 - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation - Income Tax Guide*.

Part 1 - Charitable donations

Charitable donations at the end of the preceding taxation year			
Deduct: Charitable donations expired after five taxation years	239		
Charitable donations at the beginning of taxation year	240		
Add:			
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250		
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	325,000	
Subtotal (line 250 plus line 210)		325,000	325,000
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255		
Total charitable donations available		325,000	A
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 on page 3 of the T2 return)	260	325,000	
Charitable donations closing balance	280		

Part 2 - Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * multiplied by 75%		1,425,195	B
Taxable capital gains arising in respect of gifts of capital property	225		C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	227		D
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of dispositions, less outlays and expenses	E		
Capital cost	F		
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less			G
Subtotal (add amount C, D, and G)			H
Amount H multiplied by 25%			I
Subtotal (amount B plus amount I)		1,425,195	J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		325,000	K

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Part 3 - Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the preceding taxation year		
Deduct: Gifts to Canada, a province, or a territory expired after five taxation years	339	
Gifts to Canada, a province, or a territory at the beginning of the taxation year	340	
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the wind-up of a subsidiary	350	
Total current-year gifts made to Canada, a province, or a territory *	310	
Subtotal (line 350 plus line 310)		
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		355
Total gifts to Canada, a province, or a territory available		
Deduct: Amount applied against taxable income (enter this amount on line 312 on page 3 of the T2 return)		360
Gifts to Canada, a province, or a territory closing balance		380

Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If the taxation year straddles February 18, 1997, and gifts were made after this date, enter the amount on line 210 and complete Part 2.

Part 4 - Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year		
Deduct: Gifts of certified cultural property expired after five taxation years	439	
Gifts of certified cultural property at the beginning of the taxation year	440	
Add: Gifts of certified cultural property transferred on an amalgamation or the wind-up of a subsidiary	450	
Total current-year gifts of certified cultural property	410	
Subtotal (line 450 plus line 410)		
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		455
Total gifts of certified cultural property available		
Deduct: Amount applied against taxable income (enter this amount on line 313 on page 3 of the T2 return)		460
Gifts of certified cultural property closing balance		480

Part 5 - Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year		
Deduct: Gifts of certified ecologically sensitive land expired after five taxation years	539	
Gifts of certified ecologically sensitive land at the beginning of the taxation year	540	
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the wind-up of a subsidiary	550	
Total current-year gifts of certified ecologically sensitive land	510	
Subtotal (line 550 plus line 510)		
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		555
Total gifts of certified ecologically sensitive land available		
Deduct: Amount applied against taxable income (enter this amount on line 314 on page 3 of the T2 return)		560
Gifts of certified ecologically sensitive land closing balance		580

Part 6 - Amount available for carryforward by year of origin

You can complete this part to show all the donations and gifts from previous years available for carryforward by year of origin. This will help you determine the amount that could expire in following years.

Year of origin YYYY/MM/DD	Charitable donations available for carryforward	Gifts to Canada, a province or a territory available for carryforward	Gifts of certified cultural property available for carryforward	Gifts of certified ecologically sensitive land available for carryforward
2001/12/31				
2002/12/31				
2003/12/31				
2004/12/31				
2005/12/31				

Totals

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Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Part 7 - Carry forwards of charitable donations

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31				<NIL>	
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31		325,000	325,000		<NIL>
Totals		325,000	325,000		<NIL>

Part 8 - Carry forwards of gifts to Canada, a province, or a territory

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Totals					<NIL>

Part 9 - Carry forwards of gifts of certified cultural property

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Totals					<NIL>

Part 10 - Carry forwards of certified ecologically sensitive land

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Totals					<NIL>

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8 - Federal

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

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 plus or minus column 4 minus column 5)	7 50% rule (deduct 1/2 the amount, if any, by which the net cost of acquisitions exceeds col. 5) 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) See note 3 below	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	Dist'n System	22,272,052	11,158			22,283,210	5,579	22,277,631	4.0	891,105	21,392,105
1	Buildings & fixtures	2,137,474	242,920			2,380,394	121,460	2,258,934	4.0	90,357	2,290,037
8	Major Tools	200,954	9,818			210,772	4,909	205,863	20.0	41,173	169,599
8	Office Equipment	175,415	22,905		610	197,710	11,148	186,562	20.0	37,312	160,398
8	Stores Equipment	25,458				25,458		25,458	20.0	5,092	20,366
10	Computer Hardware	226,094				226,094		226,094	30.0	67,828	158,266
10	Fleet	618,525	54,524		24,834	648,215	14,845	633,370	30.0	190,011	458,204
12	Computer Software	60,985	27,300			88,285	13,650	74,635	100.	74,635	13,650
8	Scada comm equipment	200,630				200,630		200,630	20.0	40,126	160,504
46	Scada comm equipment	36,819				36,819		36,819	30.0	11,046	25,773
45	Computer hardware	41,920	90,909			132,829	45,455	87,374	45.0	39,318	93,511
43.1	Conservatn Demand Mg		77,016			77,016	38,508	38,508	30.0	11,552	65,464
1.1	Electricity Distn Eqp		2,187,628			2,187,628	1,093,814	1,093,814	8.0	87,505	2,100,123
	Totals	25,996,326	2,724,178		25,444	28,695,060	1,349,368	27,345,692		1,587,060	27,108,000

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

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

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

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



CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8SUM - Federal

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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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)?

1 Yes ☐

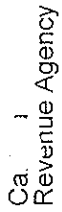
2 No ☒

1 Class number 200	2 UCC start of year 201	3 Additions during the year 203	4 Net adjustments 205	5 Proceeds of dispositions 207	6 Adjusted UCC	7 50% rule on net acquisitions 211	8 Reduced UCC
reg	25996.326	2,724.178		25.444	28695.060	1,349.368	27345.692
10.1							
13							
14							
	10 Recapture of CCA 213	11 Terminal Loss loss 215	12 CCA 217	13 UCC at end of year 220			
reg			1,587.060	27108.000			
10.1							
13							
14							
Totals			1,587.060				

1 Class number 200	2 UCC start of year 201	3 Additions during the year 203	4 Net adjustments 205	5 Proceeds of dispositions 207	6 Adjusted UCC	7 50% rule on net acquisitions 211	8 Reduced UCC
24							
27							
29							
34							
Rental							
	10 Recapture of CCA 213	11 Terminal Loss loss 215	12 CCA 217	13 UCC at end of year 220			
24							
27							
29							
34							
Rental							
Totals							

Totals:

Recapture	_____	(Schedule 1 Line 107)
Terminal loss	_____	(Schedule 1 Line 404)
CCA Claimed	1,587.060	(Schedule 1 Line 403)



RELATED AND ASSOCIATED CORPORATIONS

SCHEDULE 9

Name of Corporation		Business Number		Taxation	
HALTON HILLS HYDRO INC.		867429623 RC 0001		Year End	
				2005/12/31	
				Month Day	

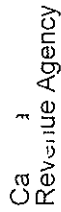
This schedule is to be completed by a corporation having one or more of the following:

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

[illegible]

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

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



SCHEDULE 9

Name of Corporation		Business Number		Taxation		Year		Month		Day	
HALTON HILLS HYDRO INC.		867429623 RC 0001				2005		12		31	

[illegible]

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

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



Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End 2005/12/31
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- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
 • A separate cumulative eligible capital account must be kept for each business.

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

Cumulative eligible capital - Balance at end of preceding taxation year (if negative, enter "0")	200	951,684	A
Add: Cost of eligible capital property acquired during the taxation year	222		
Other adjustments	226		
Subtotal (line 222 plus line 226)		x 0.75 =	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228	x 0.50 =	C
amount B minus amount C (if negative, enter "0")			D
Amount transferred on amalgamation or wind-up subsidiary	224		E
Deduct:		Subtotal (add amounts A, D, and E)	230 951,684 F
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
Other adjustments	246		I
(add amounts G, H, and I)		x 0.75 =	248 J
Cumulative eligible capital balance (amount F minus amount J) (if amount K is negative, enter "0" at line M and proceed to Part 2)			951,684 K
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
amount K	951,684		
less amount from line 249			
Current year deduction	951,684 x 7.00 =	250 66,618	
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		66,618	66,618 L
Cumulative eligible capital - Closing balance (amount K minus amount L) (if negative, enter "0")	300	885,066	M

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

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

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

Amount from line K (show as a positive amount)			N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400	1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80 (7)	401	2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402	3	
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408	4	
Line 3 minus line 4 (if negative, enter "0")		5	
Total of lines 1, 2, and 5		6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400		7	
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000		8	
Subtotal (line 7 plus line 8)	409	9	
Line 6 minus line 9 (if negative, enter "0")			O
Line N minus line O (if negative, enter "0")			P
Line 5		x 0.50 =	Q
Line P minus line Q (if negative, enter "0")			R
Amount R		x 0.67 =	S
Amount N or amount O, whichever is less			T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410		

TRANSACTIONS WITH SHAREHOLDERS, OFFICERS OR EMPLOYEES
(1998 and later taxation years)

Name of Corporation HALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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Provide the details of any transactions with shareholders, officers or employees that involve:

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

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

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

**AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE
CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT**

SCHEDULE 23

Name of Corporation	Business Number	Taxation	Year	Month	Day
'ALTON HILLS HYDRO INC.	867429623 RC 0001	Year End	2005	12	31

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

Allocation of the business limit

		Allocation of the business limit										
Date filed (do not use this area)	025	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>		Year	Month	Day						
Year	Month	Day										
Enter the calendar year to which the agreement applies	050	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="text-align: center;">Year</td> </tr> <tr> <td style="text-align: center;">2005</td> </tr> </table>		Year	2005							
Year												
2005												
Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below?	075	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>							

[illegible]

AGREEMENT AMONG RELATED CORPORATIONS - PART 1.3 TAX

Name of Corporation ALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End 2005/12/31
---	--------------------------------------	---------------------------------------

- Members of a related group of corporations should use this schedule to allocate the capital deduction of \$10,000,000** among the members of the related group. Do not file this agreement if no members of the related group are liable to pay Part 1.3 tax.
- In cases where a related corporation has more than one taxation year ending in a calendar year, it is required to file an agreement for each taxation year ending in that calendar year.
- A corporation that is related to any other corporation at any time in a taxation year of the corporation ending in a calendar year may file such an agreement.
- In accordance with subsection 181.5(7) of the federal *Income Tax Act*, a Canadian-controlled private corporation is not considered to be related to another corporation for purposes of the capital deduction unless it is also associated with that corporation.
- Attach additional schedules if space for agreement is not sufficient.

Agreement

Date filed (for departmental use only)	010	Year	Month	Day
Is this an amended agreement?	020	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	
Enter the calendar year to which the agreement applies	030	Year	2005	

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

	Names of all corporations which are members of the related group	Business Number (if a corporation is not registered, enter 'NR')	Allocation of capital deduction for the year \$	Taxation year to which this agreement applies* (YYYY /MM /DD)
	200	300	400	500
1.	HALTON HILLS HYDRO INC.	867429623RC 0001	45,995,000	
2.	HALTON HILLS FIBRE OPTICS INC.	886270727RC 0001	2,500,000	
3.	SOUTHWESTERN ENERGY INC.	870971181RC 0001	500,000	
4.	HALTON HILLS ENERGY INC.	873074876RC 0001	5,000	
5.	HALTON HILLS ENERGY SERVICES I	862448453RC 0001	1,000,000	
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
Total (not to exceed \$10,000,000**)			50,000,000	

- * Entries are only required in this column for a corporation that has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year. The capital deduction of the first corporation for each such taxation year at the end of which it is related to the other corporation is an amount equal to its capital deduction for the first such taxation year. Enter the taxation year end to which this agreement applies.
- ** \$50,000,000 for taxation years ending after 2003.



Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

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

Name of shareholder 100	Business number 200	Social Insurance Number 300	Percentage common shares 400	Percentage preferred shares 500
TOWN OF HALTON HILLS	108126897RC0001		100.0	

CONTINUITY OF CAPITAL DIVIDEND ACCOUNT AS AT:

2005/12/31 (see note 1)

CDA

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

CAPITAL GAINS

Non-taxable portion of capital gains realized in prior years	20,731	
Non-taxable portion of capital gains for the current year		20,731

CAPITAL LOSSES

Non-deductible portion of capital losses incurred in prior years	
Non-deductible portion of capital losses for the current year	
Non-deductible portion of capital business investment losses	
Excess of non-taxable portion of gains over losses	20,731

CAPITAL DIVIDENDS RECEIVED

Aggregate of dividends received in prior years	
Dividends received during the year	

ELIGIBLE CAPITAL PROPERTY

Non-taxable portion of net proceeds on sale of E.C.P - Balance from prior years	
---	--

Disposition incurred during the taxation year ending after October 17, 2000

Amount to be included under subsection 14(1)(b).

Amount from line S on Schedule 10 for the taxation years ending after October 17, 2000 - for the current year

Less:

Appropriate portion of amount deducted as a credit loss (paragraph 20(4.2)) or capital losses (paragraph 24(4.3)) for taxations year ending after October 17, 2000 - for the current year

Non-taxable portion of net proceeds on sale of E.C.P.	
---	--

Note 1: The period for which the CDA applies, commences on the first day of the first taxation year ending after 1971 and after the corporation last became a private corporation, and ends immediately before the balance in the capital dividend account is to be determined.

CONTINUITY OF CAPITAL DIVIDEND ACCOUNT AS AT:

2005/12/31 (see note 1)

CDA

Name of Corporation	Business Number	Taxation Year End	Year Month Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005/12/31

LIFE INSURANCE POLICIES

Proceeds from life insurance policies received in prior years

Proceeds from life insurance policies received in year

Less:

Adjusted cost base of life insurance policies disposed of in prior years

Less:

Adjusted cost base of life insurance policies disposed of in year

CAPITAL GAINS PAID OUT BY A TRUST

Non-taxable portion of capital gains paid out by a trust

- Balance from prior years

Non-taxable portion of capital gains paid out by a trust

- for the current year

Non-taxable dividends earned from CDA and paid out by a trust

- Balance from prior years

Non-taxable dividends earned from CDA and paid out by a trust

- for the current year

Capital dividend account balance before capital dividends paid or payable. .

20,731

CAPITAL DIVIDENDS PAID OR PAYABLE

Aggregate of dividends - prior years.

Dividends paid or payable for year.

Capital dividend account balance

20,731

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

Name of Corporation	Business Number	Taxation	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001	Year End	2005	12	31
Name of corporation contact (for department enquiries)			Telephone Number		

[illegible]

Total Amount of Instalments claimed (Enter on line 840 on the front of T2 Return)	(A)	321,448
---	-----	---------

Total instalments credited to the taxation year, per last T9 statement of account balance

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 rest date of the transfer will be the date of assessment.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	31/12/2005

CAPITAL TAX SUPPORTING SCHEDULE

PARTNERSHIPS / JOINT VENTURES INFORMATION:

Corporation's share of paid-up capital:

1. Enerconnect LP	18,000		
2.			
3.		to (362)	18,000

Corporation's share of gross revenue:

Corporation's own gross revenue	46,848,805		
---------------------------------	------------	--	--

ADD:

1. Enerconnect LP	46,000		
2.	0		
3.	0		
Total gross revenue of corporation & partnerships		to (480)	46,894,805

ELIGIBLE INVESTMENTS:

Term deposits & trust company investment certificates:

1.			
2.			
3.		to (400)	

Bonds & securities - Gov't/Municipality/School District:

1.			
2.			
3.		to (401)	

Bonds & debentures of other corporations:

1.			
2.			
3.		to (402)	

Mortgages due from other corporations:

1.			
2.			
3.		to (403)	

Shares in other corporations:

1. Subsidiary companies	865,552		
2. EnerConnect LP	39,221		
3.		to (404)	904,773

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

1.			
2.			
3.		to (405)	

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

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

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

1. Enerconnect LP	4,000		
2.			
3.		to (407)	4,000

LOANS AND ADVANCES:

From corporations or government	16,141,970		
From shareholders or related persons			
From Customer deposits	383,136		
From		to (353)	16,525,106



Ontario

Ministry of Finance

Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa, ON L1H 8E92004/
2005CT23 Corporations Tax and
Annual ReturnFor taxation years commencing
after December 31, 2002

Corporations Tax Act - Ministry of Finance (MOF)

Corporations Information Act - Ministry of Consumer and Business Services (MCBS)

This form is a combination of the Ministry of Finance (MOF) CT23 Corporations Tax Return and the Ministry of Consumer and Business Services (MCBS) Annual Return. Page 1 is a common page required for all 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 MCBS 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

MCBS 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 border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2005</td><td>01</td><td>01</td></tr></table> End <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2005</td><td>12</td><td>31</td></tr></table>		year	month	day	2005	01	01	year	month	day	2005	12	31
year	month	day														
2005	01	01														
year	month	day														
2005	12	31														
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Change			Date of Incorporation or Amalgamation <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>1999</td><td>04</td><td>13</td></tr></table>		year	month	day	1999	04	13						
year	month	day														
1999	04	13														
Registered/Head Office Address 43 ALICE STREET ACTON ON L7J2A9			Ontario Corporation No. (MCBS) 1349889													
Location of Books and Records 43 ALICE STREET ACTON ON L7J2A9			Canada Customs and Revenue Agency Business No. If applicable, enter 867429623 RC 0001													
Name of person to contact regarding this CT23 Return Telephone No. Fax No. ARTHUR SKIDMORE (519) 853-3700			Jurisdiction Incorporated ONTARIO													
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MCBS)			If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr></table> Ceased <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr></table>		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 (MCBS)			<input checked="" type="checkbox"/> Not Applicable													
Information on Directors/Officers/Administrators must be completed on MCBS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MCBS). If there is no change to the Directors/Officers/Administrators' information previously submitted to MCBS, please check <input checked="" type="checkbox"/> this box. Schedule(s) A and K are not required (MCBS). No. of Schedules(s) <table border="1"><tr><td>1</td></tr></table> <input checked="" type="checkbox"/> No Change			1	Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English anglais <input type="checkbox"/> French français Ministry Use												
1																

Certification (MCBS)

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

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

ARTHUR SKIDMORE

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

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

Corporation's Legal Name
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)
1800262

Taxation Year End
2005/12/31

CT23 Page 3 of 20

CT23 Corporations Tax Return

Notification continued (for CT23 filers only)

Type of Corporation - Please check (x) box(es) if applicable in sections 1 & 2

- ☒ 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 Share Capital with full voting
3 ☐ Public rights owned by Canadian
4 ☐ Non-share Capital Residents 100 %
- 5 ☐ Other (specify) ▶
- 2 1 ☐ Family Farm Corporation s.1(2) 12 ☐ Non-resident ship or aircraft under
2 ☐ Family Fishing Corporation s.1(2) 14 ☐ Bare Trustee Corporation reciprocal agreement with Canada s.28(b)
- 3 ☐ Mortgage Investment Corp. s.47 15 ☐ Branch of Non-resident s.63(1)
- 4 ☐ Credit Union s.51 16 ☐ Financial institution
prescribed by Regulation only
- 5 ☐ Bank Mortgage Subsidiary s.61(4) 17 ☐ Investment Dealer
- 6 ☐ Bank s.1(2) 18 ☐ Generator of electrical energy for sale or
producer of steam for use in the generation
of electrical energy for sale
- 7 ☐ Loan and Trust Corporation s.61(4) 19 ☒ Hydro successor, Municipal Electrical Utility
or subsidiary of either
- 8 ☐ Non-resident Corporation s.2(2)(a)
or (b) 20 ☐ Producer and seller of steam for uses other
than for the generation of electricity
- 9 ☐ Non-resident Corporation s.2(2)(c) 21 ☐ Insurance Exchange s.74.4
- 10 ☐ Mutual Fund Corporation s.48 22 ☐ Farm Feeder Finance Co-operative
Corporation
- 11 ☐ Non-resident owned investment
Corporation s.49 23 ☐ Professional Corporation
(incorporated professionals only)

Ontario Retail Sales Tax Vendor Permit No.
(Use Head Office no.)

If applicable, enter
n/a

Ontario Employer Health Tax Account No.
(Use Head Office no.)

If applicable, enter
111196122

Specify major business activity

DISTRIBUTION OF ELECTRICITY

Please check (x) box(es) if applicable

☐ First Year of Filing

☐ Final Taxation Year up to Dissolution (wind-up)
(Note: For discontinued businesses, see Guide.)

☐ Transfer or Receipt of Asset(s) involving a
corporation having a Canadian permanent
establishment outside Ontario

☐ Amended Return

☐ Final Taxation Year before Amalgamation

☐ Acquisition of Control fed s.249(4)

☐ Taxation Year End has changed - Canada Customs
and Revenue Agency approval required

☐ Floating Fiscal Year End

Date Control was acquired

year month day

Was the corporation inactive throughout the taxation year?

Yes No
☐ ☒

Has the corporation's Federal T2 Return been filed
with the Canada Customs and Revenue Agency (CCRA)?

☒ ☐

Are you requesting a refund due to: the Carry-back of a Loss?

☐ ☒

an Overpayment?

☒ ☐

a Specified Refundable Tax Credit?

☐ ☒

Are you a Member of a Partnership or Joint Venture?

☒ ☐

Income Tax

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

DOLLARS ONLY

Net income (loss) for Ontario purposes (per reconciliation schedule, page 15) -	±	From	690	1,900,260
Subtract: Charitable donations -	-		1	325,000
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2) -	-		2	
Subtract: Taxable dividends deductible, per federal Schedule 3 -	-		3	
Subtract: Ontario political contributions (Attach schedule 2A)(Int.B.3002R) -	-		4	
Subtract: Federal Part VI.1 tax	• X 3		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	1,575,260
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	1,575,260

Taxable Income

From 10 (or 20 if applicable)	Ontario Allocation	Number of Days in Taxation Year	
1,575,260 • X 30	100.0000	% X 12.5% X	
1,575,260 • X 30	100.0000	% X 14.0% X	
ome Tax Payable (before deduction of tax credits)	29 + 32		= + 40 220,536

Incentive Deduction for Small Business Corporations (IDSBC) (s.41) (If this section is not completed, IDSBC will be denied.)

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

(X) ☒ Yes ☐ No

* Income from active business carried on in Canada

for federal purposes (fed.s.125(1)(a)) - - - - - 50 1,900,260

Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b)) - - - - - + 51 1,575,260

Add: Losses of other years deducted for federal purposes (fed.s.111) - - - - - + 52

Subtract: Losses of other years deducted for Ontario purposes (s.34) - - - - - - 53

Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1) - - - - - 55 300,000

Ontario Business Limit Calculation

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

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

Business Limit for Ontario purposes 46 + 47 - - - = 44 400,000 • X 48 100.0000 % = 45 400,000

Income eligible for the IDSBC - - - - - From 30 100.0000 % X 56 400,000 = 60 400,000
*** Ontario Allocation Least of 50 54 or 45

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

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

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

continued on Page 5

Corporation's Legal Name **HALTON HILLS HYDRO INC.** Ontario Corporations Tax Account No. (MOF) **1800262** Taxation Year End **2005/12/31**

DOLLARS ONLY

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

Calculation of IDSBC Rate

7.0% X

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

= + 89

8.5% X

Days after Dec 31, 2003	Total Days
34	365

= + 90 8.5000

IDSBC Rate for Taxation Year

89 + 90

= 78 8.5000

Claim From 60 400,000 X From 78 8.5000 % = 70 34,000

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

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

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

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

*Taxable Income of the corporation From 10 (or 20 if applicable) + 80 1,575,260

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

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

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

Taxation Year End

*Taxable Income
(if loss, enter nil)

See attached schedule

+ 82 29,848

+ 83

+ 84

Aggregate Taxable Income 80 + 82 + 83 + 84, etc

= 85 1,605,108

Number of Days in Taxation Year

320,000 X

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

= + 115

400,000 X

Days after Dec 31, 2003	Total Days
34	365

= + 116 400,000

115 + 116 = 400,000

(If negative, enter nil) = 86 1,205,108

Number of Days in Taxation Year

Calculation of Specified Rate for Surtax

4.667% X

Days after Dec 31, 2002	Total Days
38	365

= + 97 4.6670

From 86 1,205,108 X From 97 4.6670 % = 87 56,242

From 87 56,242 X From 60 400,000 ÷ From 114 400,000 = 88 56,242

Surtax Lesser of 70 or 88 = 100 34,000

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

continued on Page 6

Corporation's Legal Name
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF)
1800262

Taxation Year End
2005/12/31

CT23 Page 6 of 20

Income Tax *continued from Page 5*

DOLLARS ONLY

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 - - - - - + From 10 1,575,260

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

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

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

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

10 - 56 + 122 - 140 - 141 - - - - - = 142 1,575,260

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

*Ontario Allocation

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 2.0% X

*Ontario Allocation

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

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

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

161

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

162

Credit for Foreign Taxes Paid (s.40)

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

170

Credit for Investment in Small Business Development Corporations (SBDC)

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

Eligible Credit

175

Credit Claimed

180

Subtotal of Income Tax 40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 - - - - - = 190 220,536

continued on Page 7

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2005/12/31
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Income Tax *continued from Page 6*

DOLLARS ONLY

Specified Tax Credits (Refer to Guide)**Ontario Innovation Tax Credit (OITC) (s.43.3)** *Applies to scientific research and experimental development in Ontario.*Eligible Credit From **5620** OITC Claim Form (Attach original Claim Form) - - - - - + **191****Co-operative Education Tax Credit (CETC) (s.43.4)** *Applies to employment of eligible students.*Eligible Credit From **5798** CT23 Schedule 113 (Attach Schedule 113) - - - - - + **192****Ontario Film & Television Tax Credit (OFTTC) (s.43.5)***Applies to qualifying Ontario labour expenditures* Name of Productionfor eligible Canadian content film and television productions. **204**Eligible 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 graduate, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005.*Eligible Credit From **6598** CT23 Schedule 115 (Attach Schedule 115) - - - - - + **195****Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)***Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.*Eligible Credit From **6900** OBPTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility)- - - - - + **196****Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)***Applies to labour relating to computer animation and special effects on an eligible production.*Eligible Credit From **6700** of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - - - - - + **197****Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)***Applies to qualifying R&D expenditures under an eligible research institute contract.*Eligible Credit From **7100** OBRITC Claim Form (Attach original Claim Form) - - - - - + **198****Ontario Production Services Tax Credit (OPSTC) (s.43.10)***Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.*Eligible Credit From **7300** of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - - - - - + **199****Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)***Applies to qualifying labour expenditures of eligible products for the taxation year.*Eligible Credit From **7400** of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - - - - - + **200****Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)***Applies to qualifying expenditures in respect of eligible Canadian sound recordings.*Eligible Credit From **7500** OSRTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) - - - - - + **201****Apprenticeship Training Tax Credit (ATTC) (s.43.13)**No. of Apprentices From **5896***Applies to employment of eligible apprentices.*Eligible Credit From **5898** CT23 Schedule 114 (Attach Schedule 14) - - - - - + **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** 210,536To 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 2005/12/31
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Corporate Minimum Tax (CMT)

Total Assets of the corporation - - - - - + [240] 45,051,647
 Total Revenue of the corporation - - - - - + [241] 46,894,805

The above amounts include the corporation's and associated corporation's 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] 4,808,269	+ [244] 2,269,407
			+ [245]	+ [246]
			+ [247]	+ [248]
Aggregate Total Assets	[240] + [243] + [245] + [247], etc		= [249] 49,859,916	
Aggregate Total Revenue	[241] + [244] + [246] + [248], etc			= [250] 49,164,212

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 [2136] 1,317,155 X From [30] 100.0000 % X 4% = [276] 52,686
 Sch. 101 if negative, enter zero Ontario Allocation
 Subtract: Foreign Tax Credit for CMT purposes (Attach schedule) - - - - - [277]
 Subtract: Income Tax - - - - - From [190] 220,536
 Net CMT Payable (if negative, enter Nil on Page 17.) - - - - - = [280] -167,850

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

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

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

Schedule 101: Continuity of CMT Credit Carryovers.

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

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) - - - - - + From [190] 220,536
 Gross CMT Payable - - - - - + From [276] 52,686
 Subtract: Foreign Tax Credit for CMT purposes - - - - - From [277]
 If [276] [277] is negative, enter NIL in [290] = 52,686
 Income Tax eligible for CMT Credit - - - - - = [300] 167,850

B. Income Tax (after deduction of specified credits) - - - - - + From [230] 210,536
 Subtract: CMT credit used to reduce income taxes - - - - - [310]
 Income Tax - - - - - = [320] 210,536

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
HALTON HILLS HYDRO INC.

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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(a) or (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	3,065,624.
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R) - - - - -	+	352	
Loans and advances (Attach schedule)(Int.B.3013R) - - - - -	+	353	16,525,106.
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 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	
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s))(Int.B.3017R) - - - - -	+	362	18,000.
Subtotal - - - - -	=	370	35,770,393.
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.)(Int.B.3012R) - - - - -	-	371	-694,903.
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	36,465,296.
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	36,465,296.

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	904,773.
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	4,000.
Total Eligible Investments - - - - -	=	410	1,774,324.

continued on Page 10

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Capital Tax *continued from Page 9*

Total Assets (Int.B.3015R)

Total Assets per balance sheet	- - - - -	+	420	45,090,868	.
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	39,221	.
Total Assets as adjusted	- - - - -	=	430	45,051,647	.
Amounts in 360 and 361 (if deducted from assets)	- - - - -	+	440		.
Subtract: Amounts in 371, 372 and 381	- - - - -	-	441	-694,903	.
Subtract: Appraisal surplus if booked	- - - - -	-	442		.
Add or Subtract: Other adjustments (specify on an attached schedule)	- - - - -	±	443		.
Total Assets	- - - - -	=	450	45,746,550	.

Investment Allowance (410 ÷ 450) X 390 - - - - - **Not to exceed** 410 = 460 1,414,342 .

Taxable Capital 390 - 460 - - - - - = 470 35,050,954 .

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)- 480 46,894,805 .

Total Assets (as adjusted) - - - - - From 430 45,051,647 .

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: This version (2004/2005) of the CT23 may only be used for a taxation year that commenced after December 31, 2002.

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 below, 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 2004/2005 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

Calculation of Taxable Capital Deduction (TCD)

		Number of Days in Taxation Year			
		Days before Jan. 1, 2005	Total Days		
5,000,000	X	35	÷ 73 365	= +	500
		Days after Dec 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	X	36	365 ÷ 73 365	= +	501 7,500,000
		Days after Dec 31, 2005 and before Jan. 1, 2007	Total Days		
10,000,000	X	37	÷ 73 365	= +	502
Taxable Capital Deduction (TCD)		500 + 501 + 502	=	503	7,500,000

Section C

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

- C1.** If 430 and 480 on page 10 are both \$3,000,000 or less, enter NIL in 550 on page 12 and complete the return from that point.
- C2.** If Taxable Capital in 470 is equal to or less than the TCD in 503, enter NIL in 550 on page 12 and complete the return from that point.
- C3.** If Taxable Capital in 470 exceeds the TCD in 503, complete the following calculation and transfer the amount from 523 to 543 on page 12, and complete the return from that point.

+ From 470 35,050,954 .

- From 503 .

= 471 . X From 30 100.0000 % X 0.3% X 555 365 - - =+ 523 .

Ontario Allocation

Days in taxation year
365 (366 if leap year)
If floating taxation year, refer to Guide

Transfer to 543 on page 12 and complete the return from that point

continued on Page 11

Corporation's Legal Name
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Capital Tax Calculation *continued from page 10*

SECTION D

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

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

If Taxable Capital ☐ 470 on page 10 is equal or less than the TCD ☐ 503 on page 10, enter NIL in ☐ 550 on page 12 and complete the return from that point.

If Taxable Capital ☐ 470 on page 10 exceeds the TCD ☐ 503 on page 10, proceed to Section E, enter the TCD amount in ☐ 542 in Section E, and complete Section E and the return from that point.

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

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

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

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total assets 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.

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

able Capital From ☐ 470 on page 10 - - - - - + From ☐ 470 35,050,954

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 2,741,579

+ ☐ 532

+ ☐ 533

Aggregate Taxable Capital ☐ 470 + ☐ 531 + ☐ 532 + ☐ 533, etc - - - - - = ☐ 540 37,792,533

If ☐ 540 above is equal to or less than TCD ☐ 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.
Enter NIL in ☐ 523 in section E on page 12, 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 on page 12.

From ☐ 470 35,050,954 ÷ From ☐ 540 37,792,533 X From ☐ 503 7,500,000 = ☐ 541 6,955,928
Transfer to ☐ 542 in Section E on page 12.

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 on page 12.

continued on Page 12

Capital Tax Calculation *continued from Page 11*

Action E

This section applies if the corporation is a member of an associated group and/or partnership whose total aggregate Taxable Capital 540 on page 11 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] 35,050,954 ●					Total Capital Tax for the taxation year	
-	[542] 6,955,928 ●				Days in taxation year		
=	[471] 28,095,026 ●	X From [30]	100.0000 % X 0.3% X	[555] 365		=+	[523] 84,285 ●
		Ontario Allocation		*365 (366 if leap 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	<div>470</div> 35,050,954	•	X	From	<div>30</div> 100.0000	% X 0.3%	-	-	-	-	-	=	<div>561</div>
Ontario Allocation														
-	Capital tax deduction from	<div>995</div>	relating to your corporation's Capital Tax deduction, on Schedule 591	-	-	From	<div>995</div>	-	-	-	-	-	=	<div>562</div>
Total Capital Tax for the taxation year														
Capital tax	-	-	-	-	-	-	-	-	-	-	-	-	=	<div>563</div>
						Days in taxation year	<div>555</div> 365							
						*365 (366 if leap year)								
														Transfer to <div>543</div> and complete the return from that point

^a If floating taxation year, refer to Guide.

Capital Tax	before application of specified credits	- - - - -	=	<div style="border: 1px solid black; padding: 2px;">543</div>	84,285
	Subtract: Specified Tax Credits applied to reduce capital tax payable (<i>Refer to Guide</i>)	- - - - -	-	<div style="border: 1px solid black; padding: 2px;">546</div>	
Capital Tax	<div style="border: 1px solid black; padding: 2px;">543</div> - <div style="border: 1px solid black; padding: 2px;">546</div> (<i>amount cannot be negative</i>)	- - - - -	=	<div style="border: 1px solid black; padding: 2px;">550</div>	84,285

Transfer to page 17

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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.)

X 0.6% X From 100.0000 % X 365 ÷ *365 = +
Lesser of adjusted TPUC and Basic Capital Amount in accordance with Division B.1 Ontario Allocation (366 if leap year)

X % X From 100.0000 % X 365 ÷ *365 = +
Adjusted TPUC in accordance with Division B.1 in excess of Basic Capital Amount Capital Tax Rate (Refer to Guide) Ontario Allocation (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 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

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**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] 1,900,260.

Transfer to Page 15

Add:

Federal capital cost allowance - - - - -	+	[601]	1,587,060	•
Federal cumulative eligible capital deduction - - - - -	+	[602]	66,618	•
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] •

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] = 1,653,678 • [640] 1,653,678.

Transfer to Page 15

Deduct:

Ontario capital cost allowance(excludes amounts deducted under [675]) - - - - -	+	[650]	1,587,060	•
Ontario cumulative eligible capital deduction - - - - -	+	[651]	66,618	•
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] 1,653,678 •

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
2005/12/31

CT23 Page 15 of 20

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] 1,900,260.
Total of Additions on Page 14 - - - - - From = [640] 1,653,678.
Sub Total of deductions on page 14 - - - - - From = [681] 1,653,678.

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 100 X 100.0000
From [30] 100.0000
Ontario Allocation - From [662] = [663]

Workplace Child Care Tax Incentive (WCCT)

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

Qualifying expenditures: [665] X 30% X 100
From [30] 100.0000
Ontario Allocation = [666]

Workplace Accessibility Tax Incentive (WATI)

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

Qualifying expenditures: [667] X 100% X 100
From [30] 100.0000
Ontario Allocation = [668]

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
From [30] 100.0000
Ontario Allocation = [671]

Educational Technology Tax Incentive (ETTI)

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

Qualifying expenditures: [672] X 15% X 100
From [30] 100.0000
Ontario Allocation = [673]

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

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

Amount added to income federally for an amount that was negative on federal
form T661, Line 454 or 455 (if filed after June 30, 2003) - - - - - + [677]

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

Total of Deductions

[681] + [663] + [666] + [668] + [671] + [673] + [678] + [679] + [677] + [664] - - - - - = 1,653,678. [680] 1,653,678.

Net income (loss) for Ontario Purposes

[600] + [640] - [680] - - - - - = [690] 1,900,260.

Transfer to Page 4

Corporation's Legal Name
HALTON HILLS HYDRO INC.

Ontario Corporations Tax Account No. (MOF) 1800262
Taxation Year End 2005/12/31

CT23 Page 16 of 20

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
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	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 1996/12/31	817 (9)	860 (9)		850	870
801 1997/12/31	818 (9)	861 (9)		851	871
802 1998/12/31	819 (9)	862 (9)		852	872
803 1999/12/31	820	830	840	853	873
804 2000/12/31	821	831	841	854	874
805 2001/12/31	822	832	842	855	875
806 2002/12/31	823	833	843	856	876
807 2003/12/31	824	834	844	857	877
808 2004/12/31	825	835	845	858	878
809 2005/12/31	826	836	846	859	879
Total	829 <NIL>	839 <NIL>	849 <NIL>	869 <NIL>	889

Notes:

- (1) Non-capital losses include allowable business investment losses, and 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) 1800262
Taxation Year End 2005/12/31

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' Tax Account No. (MOF)				
Taxation Year Ending YYYY MM DD				
i) 3rd preceding 901 2002/12/31	911	921	931	941
ii) 2nd preceding 902 2003/12/31	912	922	932	942
iii) 1st preceding 903 2004/12/31	913	923	933	943
Total loss to be carried back	From 705	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax - - - - + From 230 or 320 210,536

Corporate Minimum Tax - - - - + From 280

Capital Tax - - - - - + From 550 84,285

Premium Tax - - - - - + From 590

Total Tax Payable - - - - = 950 294,821

Subtract: Payments - - - - - 960 556,052

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

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

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

Balance - - - - - = 970 -261,231

If payment due - - - - - Enclosed* 990

If overpayment: Refund(Refer to Guide) = 975 261,231

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 the cheque or money order. (Refer to Guide for other payment methods.)

Certification

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

Name (please print)

ARTHUR SKIDMORE

Title

CHIEF FINANCIAL OFFICER

Full Residence Address

43 ALICE STREET

ACTON

ON

L7J2A9

Signature

Date



30/06/2006

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

Schedule A: Information on Ontario Corporations

MCBS

(Corporations that are incorporated, continued or amalgamated under the Ontario Business Corporations Act)

Schedule A



Page 18 of 20

submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification																																													
Corporation's Legal Name (including punctuation) HALTON HILLS HYDRO INC.		Ontario Corporation No. (MCBS) 1349889	Date of Incorporation or Amalgamation year month day 1999/04/13																																										
Director/Officer Information																																													
Full Name and Address for Service																																													
Last Name AUSTIN	First Name ROBERT	Middle Name(s) C																																											
Street Number and Name 24 KNOX STREET		Suite																																											
City/Town/Village ACTON	Province/State ON	Country CA	Postal/Zip Code L7J1C7																																										
Director Are you a Resident Canadian? <i>(Applies to directors of business corporations only)</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date Elected year month day 2004/02/19 Date Ceased year month day 2005/09/30	Officer State the appointment period for each of the following <table style="width:100%;"> <thead> <tr> <th></th> <th>Year</th> <th>Month</th> <th>Day</th> <th>Year</th> <th>Month</th> <th>Day</th> </tr> </thead> <tbody> <tr> <td>President</td> <td></td><td></td><td></td> <td></td><td></td><td></td> </tr> <tr> <td>Secretary</td> <td></td><td></td><td></td> <td></td><td></td><td></td> </tr> <tr> <td>Treasurer</td> <td></td><td></td><td></td> <td></td><td></td><td></td> </tr> <tr> <td>General Manager</td> <td></td><td></td><td></td> <td></td><td></td><td></td> </tr> <tr> <td>Other (specify)</td> <td></td><td></td><td></td> <td></td><td></td><td></td> </tr> </tbody> </table>				Year	Month	Day	Year	Month	Day	President							Secretary							Treasurer							General Manager							Other (specify)						
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Director/Officer Information																																													
Full Name and Address for Service																																													
Last Name PERLIN	First Name DENNIS	Middle Name(s) Y																																											
Street Number and Name 33 BRADLEY STREET		Suite																																											
City/Town/Village GEORGETOWN	Province/State ON	Country CA	Postal/Zip Code L7G6B5																																										
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Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.

CANTAX T2, 2004-2005 CT23, version 05.2.307 Approval Code 060B

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Page 1 of 3

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
ALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 1: Calculation of CMT Base

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

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

Net Income/Loss (unconsolidated, determined in accordance with GAAP) - - - - - ± 2100 670,842

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

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

Subtotal - - - - - = 2110

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

Provision for current taxes / cost of current incomes taxes - - - - - + 2111 646,313
Provision for deferred income taxes (debits) / cost of future income taxes - - + 2112
Equity losses from corporations - - - - - + 2113
Share of partnership(s)/joint venture(s) losses - - - - - + 2114
Dividends that have been deducted to arrive at net income per Financial Statements
s.57.4(1.1) (excluding dividends under fed.s.137(4.1)) - - - - - + 2115

total - - - - - = 646,313 ± 2116 646,313

Add/Subtract:

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

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

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

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

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

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

Subtotal (Additions) - - - - - = 2129

Subtotal (Subtractions) - - - - - = 2130

** Other adjustments - - - - - ± 2131

Subtotal ± 2100 ± 2110 ± 2116 ± 2129 - 2130 ± 2131 = 2132 1,317,155

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

Adjusted net income (loss) (if loss, transfer to 2202 in Part 2: Continuity of CMT Losses Carried Forward.) = 2134 1,317,155

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

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

= 2135

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

retain calculations. Do not submit with this schedule.

CMT Base - - - - - = 2136 1,317,155

Transfer to CMT Base, Page 8 of the CT23 or Page 6 of the CT8

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTE (1), (2) - - - - - + [2201] .

Add: Current year's losses - - - - - + [2202] .

Losses from predecessor corporations on amalgamation NOTE (3) - - + [2203] .

Losses from predecessor corporations on wind-up NOTE (3) - - + [2204] .

Amalgamation (X) [2205] ☐ Yes Wind-up (X) [2206] ☐ Yes

Subtotal - - - - - = [2207] .

Adjustments (attach schedule) - - - - - + [2208] .

CMT losses available [2201] + [2207] + [2208] - - - - - = [2209] .

Subtract: Pre-1994 loss utilized during the year to reduce adjusted net income - - + [2210] .

Other eligible losses utilized during the year to reduce adjusted net income NOTE (4) - - + [2211] .

Losses expired during the year - - - - - + [2212] .

Subtotal - - - - - = [2213] .

Balance at End of Year NOTE (5) [2209] - [2213] - - - - - = [2214] .

Notes:

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

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

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

Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
[2240] 1996/12/31	[2260]	[2280]
[2241] 1997/12/31	[2261]	[2281]
[2242] 1998/12/31	[2262]	[2282]
[2243] 1999/12/31	[2263]	[2283]
[2244] 2000/12/31	[2264]	[2284]
[2245] 2001/12/31	[2265]	[2285]
[2246] 2002/12/31	[2266]	[2286]
[2247] 2003/12/31	[2267]	[2287]
[2248] 2004/12/31	[2268]	[2288]
[2249] 2005/12/31	[2269]	[2289]
Totals	[2270]	[2290]

The sum of amounts [2270] + [2290] must
equal amount in [2214].

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) - - - - - + [2301] _____

Add: Current year's CMT credit ([280] on page 8 of the CT23 or [347] on page 6 of the CT8. If negative, enter NIL) - - - + From [280] or [347] _____

Gross Special Additional Tax NOTE (2) [312] on page 5 of CT8.
(Life Insurance corporations only. Others enter NIL.) + From [312] _____

Subtract Income Tax
([190] on page 6 of the CT23 or page 4 of the CT8) - From [190] 220,536 _____

Subtotal (If negative, enter NIL) - - - - - = [2305] _____

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

CMT Credit Carryovers from predecessor corporations NOTE (3) - - - - - + [2325] _____

Amalgamation (X) [2315] ☐ Yes Wind-up (X) [2320] ☐ Yes

Subtotal [2301] + [2310] + [2325] - - - - - = [2330] _____

Adjustments (Attach schedule) - - - - - + [2332] _____

CMT Credit Carryover available [2330] + [2332] - - - - - = [2333] _____

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

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

CMT Credit expired during the year - - - - - + [2334] _____

Subtotal - - - - - = - [2335] _____

Balance at End of Year NOTE (4) [2333] - [2335] - - - - - = [2336] _____

Notes:

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

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

	Year of Origin (oldest year first) YYYY MM DD	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
[2340]	1996/12/31	[2360]	[2380]
[2341]	1997/12/31	[2361]	[2381]
[2342]	1998/12/31	[2362]	[2382]
[2343]	1999/12/31	[2363]	[2383]
[2344]	2000/12/31	[2364]	[2384]
[2345]	2001/12/31	[2365]	[2385]
[2346]	2002/12/31	[2366]	[2386]
[2347]	2003/12/31	[2367]	[2387]
	2004/12/31	[2368]	[2388]
[2349]	2005/12/31	[2369]	[2389]
Totals		[2370]	[2390]

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



Ontario

Ministry of Finance

Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa, ON L1H 8E9Ontario Charitable Donations and Gifts
Schedule 2 page 1 of 3

Corporation's Legal Name ALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2005/12/31
--	--	-------------------------------------

- For use by a corporation to claim any of the following:
 - Charitable donations;
 - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
 - Gifts to Canada or a province;
 - Gifts of certified cultural property; or
 - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- File one completed copy of this schedule with your CT23.

Part 1 - Charitable Donations

Charitable donations at end of preceding taxation year	+		A
Deduct: Donations expired after 5 taxation years	-		B
Charitable donations at beginning of taxation year	=		C
Add:			
Donations transferred on amalgamation or wind-up of subsidiary	+		D
Total current year charitable donations made	+	325,000	E
Subtotal D + E	=	325,000	F
Total donations available C + F	= +	325,000	G
Deduct: Amount applied against taxable income (amount T)	-	325,000	T
Charitable donations closing balance	=		H

Part 2 - Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75% = 1,425,195 I

Note: For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

Ontario taxable capital gains arising in respect of gifts of capital property + J

Ontario taxable capital gain in respect of deemed gifts
of non-qualifying securities per subsection 40(1.01) ITA + K

Add the lesser of:

1. The amount of the recapture of capital cost allowance in respect of charitable gifts		L
2. The lesser of:		
2a. Proceeds of dispositions less outlays and expenses	M	
2b. The capital cost	N	
The lesser of M and N	O	
The lesser of L and O	+	P
Subtotal J + K + P	=	Q
25% X		R
Maximum deduction allowable I + R	=	1,425,195 S
Claim for charitable donations (not exceeding the lesser of G from Part 1, S and net income for tax purposes)		325,000 T

Enter in 1 of the CT23

Corporation's Legal Name HALTON HILLS HYDRO INC.	Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2005/12/31
--	---	--

Part 3 - Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at the end of the preceding taxation year	+	
Deduct: Gifts expired after 5 years	-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year	=	
Add: Gifts transferred on amalgamation or wind-up of a subsidiary	+	
Total current year gifts	+	
Subtotal	=	
Deduct: Amount applied against taxable income 2 of the CT23	-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance	=	

Foundation Name	Date of Donation	Amount \$
Total gifts to Her Majesty in right of Ontario		=

Part 4 - Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario **1,575,260** U

2. Lesser of:

2a. Ontario Net Income for the taxation year **1,900,260** V

2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation

The lesser of V and W

Maximum deduction allowable the lesser of U and X

W **X**
Y
Transfer to **2** of the CT23

Part 5 - Gifts to Canada or province other than Ontario

Gifts to Canada or a province other than Ontario at the end of the preceding year	+	
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years	-	
Gifts to Canada or a province other than Ontario at the beginning of the taxation year	=	
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary	+	
Total current year Gifts to Canada or a province other than Ontario (Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date).	+	
Subtotal	=	
Deduct: Amount applied against taxable income	-	
Gifts to Canada or a province other than Ontario closing balance	=	

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 6 - Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year	+	
Deduct: Gifts of certified cultural property expired after five years	-	
Gifts of certified cultural property at the beginning of the taxation year	=	
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	+	
Total current year gifts of certified cultural property	+	
Subtotal	=	
Deduct: Amount applied against taxable income	-	
Gifts of certified cultural property closing balance	=	

Part 7 - Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year	+	
Deduct: Gifts of certified ecologically sensitive land expired after five years	-	
Gifts of certified ecologically sensitive land at the beginning of the taxation year	=	
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	+	
Total current year gifts of certified ecologically sensitive land	+	
Subtotal	=	
Deduct: Amount applied against taxable income	-	
Gifts of certified ecologically sensitive land closing balance	=	

Part 8 - Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2001/12/31					
2002/12/31					
2003/12/31					
2004/12/31					
2005/12/31					
Totals					

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 9 - Carry forwards of charitable donations

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31				<NIL>	
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31		325,000	325,000		<NIL>
Totals		325,000	325,000		<NIL>

Part 10 - Carry forwards of gifts to Canada or a province

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Totals					<NIL>

Part 11 - Carry forwards of gifts of certified cultural property

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Totals					<NIL>

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

Part 12 - Carry forwards of certified ecologically sensitive land

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Total					<NIL>

Part 13 - Carry forwards of Gifts to Her Majesty in right of Ontario

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2000/12/31					
2001/12/31					<NIL>
2002/12/31					<NIL>
2003/12/31					<NIL>
2004/12/31					<NIL>
2005/12/31					<NIL>
Total					<NIL>

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 2005/12/31
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Is the corporation electing under regulation 1101(5q)? 101 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	Dist'n Syst	22,272,052	11,158			22,283,210	5,579	22,277,631	4.0	891,105	21,392,105
1	Buildings &	2,137,474	242,920			2,380,394	121,460	2,258,934	4.0	90,357	2,290,037
8	Major Tools	200,954	9,818			210,772	4,909	205,863	20.0	41,173	169,599
8	Office Equi	175,415	22,905		610	197,710	11,148	186,562	20.0	37,312	160,398
8	Stores Equi	25,458				25,458		25,458	20.0	5,092	20,366
10	Computer Ha	226,094				226,094		226,094	30.0	67,828	158,266
10	Fleet	618,525	54,524		24,834	648,215	14,845	633,370	30.0	190,011	458,204
12	Computer So	60,985	27,300			88,285	13,650	74,635	100.	74,635	13,650
8	Scada comm	200,630				200,630		200,630	20.0	40,126	160,504
46	Scada comm	36,819				36,819		36,819	30.0	11,046	25,773
45	Computer ha	41,920	90,909			132,829	45,455	87,374	45.0	39,318	93,511
43.1	Conservatn		77,016			77,016	38,508	38,508	30.0	11,552	65,464
1.1	Electricity		2,187,628			2,187,628	1,093,814	1,093,814	8.0	87,505	2,100,123
	Totals	25,996,326	2,724,178		25,444	28,695,060	1,349,368	27,345,692		1,587,060	27,108,000

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

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

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

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



Ontario

CAPITAL COST A. JWANCE (CCA)

SCHEDULE 8SUM -ario

Corporation's Legal Name HALTON HILLS HYDRO INC.		Ontario Corporations Tax Account No. (MOF) 1800262	Taxation Year End 2005/12/31
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Is the corporation electing under regulation 1101(5q)?

1 Yes ☐

2 No ☒

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus or minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9, or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 10)
reg	25,996,326	2,724,178		25,444	28,695,060	1,349,368	27,345,692				1,587,060	27,108,000
10.1												
13												
14												
24												
27												
29												
34												
Rental												
Totals											1,587,060	

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

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

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

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

Enter in boxes 650 650 650 on the CT23.



Ontario

Ministry of Finance

Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa, ON L1H 8E9Ontario Cumulative Eligible Capital Deduction
Schedule 10

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
HALTON HILLS HYDRO INC.	1800262	2005/12/31

- For use by a corporation that has eligible capital property.
- A separate cumulative eligible capital account must be kept for each business.

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

Ontario Cumulative eligible capital - balance at end of preceding taxation year (if negative, enter zero) 951,684 A

Add: Cost of eligible capital property acquired during the taxation year + B

Amount transferred on amalgamation or wind-up of subsidiary + C

Other adjustments + D

Total of B + C + D = x 3/4 = E

Subtotal A + E = 951,684 F

Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year + G

The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the *Income Tax Act* (Canada) + H

Other adjustments + I

Total of G + H + I = x 3/4 = J

Ontario Cumulative eligible capital balance F - J = 951,684 K

If amount K is negative, enter zero at line M and proceed to Part 2

Current year deduction 951,684 K x 7% * = 66,618 L

* The maximum current year deduction is 7%. However, you can claim any amount up to the maximum. Enter the amount in box 651 of the CT23

Ontario cumulative eligible capital - closing balance K - L (if negative, enter zero) = 885,066 M

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

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

Only Complete this part only if the amount at line K is negative

Amount from line K above show as a positive amount. N

Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988 1

Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA 2

Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988 3

Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988 4

Line 3 deduct line 4 5

Total lines 1 + 2 + 5 6

Line T From previous Ontario Schedule 10 for taxation years ending after February 27, 2000 7

Deduct line 7 from line 6 O

N - O (cannot be negative) P

Amount on line 5 X 1/2 Q

P - Q R

Amount on line R X 2/3 S

Lesser of line N or line O T

Amount to be included in income S + T

Note: For taxation years ending after February 27, 2000 and before October 18, 2000 use 8/9 to calculate S



Corporate Minimum Tax - Associated Corporations



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

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

This schedule must be completed in determining the aggregate taxable capital of an associated group and/or partnership that has a permanent establishment (PE) in Canada.

CANTAX T2, version 05.2.307



Surtax on Canadian-Controlled Private Corporations

Name of Associated Corporation (Canadian and Foreign)	Corporations Tax Number	Taxation Year End	Taxable income (if loss, enter nil)
HALTON HILLS HYDRO INC.	1800262	2005/12/31	1,575,260
HALTON HILLS FIBRE OPTICS	1800329	2005/12/31	
SOUTHWESTERN ENERGY INC.	1800261	2005/12/31	6,313
HALTON HILLS ENERGY INC.	6094233	2005/12/31	
HALTON HILLS ENERGY SERVIC	8238060	2005/12/31	23,535
Total			1,605,108

(Transfer to 85 of the CT23)



Ontario

Ministry of Finance

Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa, ON L1H 8E9Apprenticeship Training Tax Credit (ATTC)
CT23 Schedule 114

Page 1 of 1

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
ALTON HILLS HYDRO INC.	1800262	2005/12/31

Instructions for completing the ATTC Claim Form

- Complete the section below, if claiming this credit.
- Enter the relevant details for each eligible apprentice, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each eligible apprentice.
- Enter the total tax credit claimed on line **203**, page 7 of the CT23 or page 4 of the CT8.
- Enter the total number of apprentice hired on line **202**, page 7 of the CT23 or page 4 of the CT8.
- Corporations are eligible for 25% (30% in the case of corporations with payroll not exceeding \$400,000) refundable tax credit on wages and salaries paid after May 18, 2004 to eligible apprentices during the first 36 months of an apprenticeship.
- The maximum amount of credit that can be claimed in respect of each eligible apprentice is \$5,000 per year to a maximum of \$15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of \$5,000 is pro-rated for the number of days the apprentice was employed during the taxation year.
- The credit is *considered government assistance* and is therefore *to be included in income* in the year the credit is claimed.

Summary of Apprenticeship Training Tax Credit Claimed

Complete a separate entry for each eligible apprentice that is in a qualifying skilled trade and hired before January 1, 2008. This credit applies to salaries and wages paid after May 18, 2004 and before January 1, 2011 to eligible apprentices during the first 36 months of an apprenticeship.

Example: A taxpayer, with a December 31, 2004 taxation year end, hires an otherwise eligible apprentice on June 1, 2004 at a salary of \$3,500 per month. The taxpayer's salaries and wages in the preceding taxation year were \$700,000. The credit claimed is the lesser of $^{(1)}$ 25% of salaries paid to the apprentice during the period of employment ($\$25\% \times \$3,500 \times 7 = \$6,125$), and $^{(2)}$ \$5,000 multiplied by the number of days in the apprentice was employed during the taxation year, divided by the total number of days in the calendar year ($\$5,000 \times 214/366 = \$2,923$). Hence, the credit claimed in the 2004 taxation year is \$2,923.

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social Insurance No.(SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (See notes below)
434a	Power Lin	Name GRAVES JASON SIN 507139400			From 2005/01/01 To 2005/12/31	5850 52,594	5876 5,000
434a	Power Lin	Name WOOD CHAD SIN			From 2005/01/01 To 2005/12/31	5851 39,909	5877 5,000
		Name SIN			From To	5852 5874	5878 5898
Totals						92,503	10,000

Corporation's salaries & wages paid in the preceding taxation year **A** \$ 2,807,379Transfer to **203** Page 7 of the
CT23 or Page 4 of the CT8

- If **A** is \$600,000 or greater use 25%.
- If **A** is \$400,000 or less use 30%.
- If **A** is over \$400,000 but less than \$600,000 use the following formula to calculate the specified percentage:
Specified percentage = $.30 - [.05 (\text{From } \mathbf{A} \text{ } 2,807,379 - \$400,000) \div \$200,000]$

Indicated specified percentage used **25.00** %

* Credit claimed equals lesser of:

- (1) EE multiplied by the specified percentage, and
- (2) \$5,000 x number of days the apprentice was employed in the taxation year
365 (366 if leap year)

Total number of Apprentice = **5896** **2**
Transfer to **202** Page 7 of the CT23 or Page 4 of the CT8

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

General Index of Financial Information (GIFI) Balance Sheet Information

T2 SCH 100

Page 1 of 3

Assets

Current assets

Cash	1001	1,000
Deposits in Canadian banks and institutions - Canadian currency	1002	2,084,729
Trade accounts receivable	1062	8,502,692
Allowance for doubtful trade accounts receivable	1063	103,537
Trade accounts receivable from related parties	1064	237,900
Taxes receivable	1066	233,068
Interest receivable	1067	8,565
Holdbacks receivable	1068	7,857
Accounts receivable from employees	1071	22,013
Inventory parts and supplies	1122	995,697
Loans/advances due from related parties	1403	1,334,080
Prepaid expenses	1484	286,144
Total current assets	1599	13,610,208

Capital assets

Land improvements	1601	354,871
Manufacturing and processing plant	1682	2,810,822
Accumulated amortization of manufacturing and processing plant	1683	282,802
Motor vehicles	1742	1,405,395
Accumulated amortization of motor vehicles	1743	884,050
Tools and dies	1744	361,331
Accumulated amortization of tools and dies	1745	182,247
Small tools	1770	51,007
Accumulated amortization of small tools	1771	27,861
Radio and communication equipment	1772	511,611
Accumulated amortization of radio and communication equipment	1773	132,933
Computer equipment/software	1774	1,088,496
Accumulated amortization of computer equipment/software	1775	828,256
Machinery and equipment under construction	1782	-5,695
Other machinery and equipment	1785	26,474,795
Accumulated amortization of other machinery and equipment	1786	6,310,230
Furniture and fixtures	1787	266,167
Accumulated amortization of furniture and fixtures	1788	129,867
Total tangible capital assets	2008	33,318,800
Total accumulated amortization of tangible capital assets	2009	8,778,246

Intangible Capital Assets

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

Long-Term Assets

Loans/advances to Canadian related corporations	2243	865,551
Investment in Canadian related corporations at cost	2244	865,552
Other Canadian long-term investments	2311	39,221
Other deferred items/charges	2424	4,548,088
Total long-term assets	2589	6,318,412

Assets held in trust	2590	
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Total assets *	2599	45,090,868
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* Mandatory field

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

CT13

Name of Corporation	Business Number	Taxation Year End	Year Month Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005/12/31

General Index of Financial Information (GIFI)
Balance Sheet Information

T2 SCH 100

Page 2 of 3

Liabilities

Current liabilities

Trade payables	2621	8,011,901
Trade payables to related parties	2622	5,778
Wages payable	2624	75,075
Bonuses payable	2626	90,800
Employee deductions payable	2627	22,744
Withholding taxes payable	2628	6,316
Taxes payable	2680	11,050
Deferred income	2770	461,507
Deposits received	2961	250,000
Total current liabilities	3139	8,935,171

Long-term liabilities

Due to corporate shareholder(s)	3262	16,141,970
Long-term obligations/commitments/capital leases	3321	786,440
Total long-term liabilities	3450	16,928,410

Total liabilities *	3499	25,863,581
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* Mandatory field

Name of Corporation	Business Number	Taxation	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001	Year End	2005	12	31

General Index of Financial Information (GIFI)
Balance Sheet Information

T2 SCH 100

Page 3 of 3

Shareholder Equity

Common shares	3500	16,161,663
Retained earnings/deficit (from Item 3849)	3600	3,065,624

Total shareholder equity *	3620	19,227,287
---	-------------	-------------------

* Mandatory field

Retained Earnings Information

Retained earnings/deficit

Retained earnings/deficit - start	3660	2,394,782
Net income/loss	3680	670,842
Retained earnings/deficit - end (enter this amount at Item 3600)	3849	3,065,624

Total liabilities and shareholder equity	3640	45,090,868
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Name of Corporation	Business Number	Taxation Year End	Year Month Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005/12/31

General Index of Financial Information (GIFI)
Income Statement Information

T2 SCH 125

Page 1 of 7

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

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

0003 Sequence Number

1

Revenue

Trade sales of goods and services	8000	46,094,672
Sales of goods and services to related parties	8020	334,986
Total sales of goods and services	8089	46,429,658
Interest from other Canadian sources	8094	321,666
Deposits with banks interest	8103	60,734
Real estate rental revenue	8141	12,600
Realized gains/losses on sale of investments	8211	25,444

Other Revenue

Income/loss of partnerships	8235	-1,297
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Total revenue *	8299	46,848,805
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* Mandatory field

Name of Corporation	Business Number	Taxation	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001	Year End	2005	12	31

General Index of Financial Information (GIFI)
Income Statement Information

T2 SCH 125

Page 2 of 7

Cost of sales

Purchases/cost of materials	8320	<u>36,872,141</u>
Cost of sales	8518	<u>36,872,141</u>
 Gross profit/loss	 8519	 <u>9,557,517</u>

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

General Index of Financial Information (GIFI)
Income Statement Information

T2 SCH 125

Page 3 of 7

Operating expenses

Advertising	8521	28,094
Donations	8522	325,000
Meals and entertainment	8523	11,574
Promotion	8524	14,233
Amortization of intangible assets	8570	13,204
Bad debt expense	8590	70,004
Group insurance benefits	8621	64,010
Employer's portion of employee benefits	8622	177,049
Contributions to deferred income plans	8623	170,947
Amortization of tangible assets	8670	2,875,233
Insurance	8690	97,192
Interest on short-term debt	8711	13,425
Interest on long-term debt	8714	1,176,855
Bank charges	8715	23,628
Collection and credit costs	8717	3,077
Interest paid on deposits	8741	11,979
Memberships	8761	48,244
Business taxes	8762	68,445
Office stationery and supplies	8811	58,419
Legal fees	8861	76,439
Accounting fees	8862	20,889
Consulting fees	8863	4,926
Training expense	8876	44,063
Equipment rental	8914	8,572
Repairs and maintenance - buildings	8961	70,998
Repairs and maintenance - vehicles	8962	116,002
Repairs and maintenance - machinery and equipment	8964	246,857
Garbage removal	9014	3,657
Management salaries	9065	861,197
Employee salaries	9066	1,358,527
Sub-contracts	9110	125,863
Small tools	9131	73,099
Uniforms	9133	16,298
Internet	9152	9,250
Property taxes	9180	82,927
Travel expenses	9200	3,205
Meetings and conventions	9201	38,667
Electricity	9221	84,104
Telephone and telecommunications	9225	74,206
Delivery, freight and express	9275	76,487
General and administrative expenses	9284	12,664
Total operating expenses	9367	8,659,509

Total expenses *	9368	45,531,650
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* Mandatory field

Net non-farming income	9369	1,317,155
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Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

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

T2 SCH 125

Page 4 of 7

Farming Revenue

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

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

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

T2 SCH 125

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Farming Revenue (cont'd)

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

Total farm revenue *	9659
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* Mandatory field

Name of Corporation	Business Number	Taxation Year End	Year Month Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005/12/31

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

T2 SCH 125

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Farming Expenses

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

Name of Corporation	Business Number	Taxation Year End	Year	Month	Day
HALTON HILLS HYDRO INC.	867429623 RC 0001		2005	12	31

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

T2 SCH 125

Page 7 of 7

Farming Expenses (cont'd)

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

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

CT13

NOTES CHECKLIST

SCHEDULE 141

Name of Corporation ALTON HILLS HYDRO INC.	Business Number 867429623 RC 0001	Taxation Year End	Year Month Day 2005/12/31
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- This schedule should be completed from the perspective of the person who prepared or reported on the financial statements. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation - Income Tax Guide*.
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

Part 1 - Accounting practitioner information

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

Is the accounting practitioner connected* with the corporation? 097 1 Yes ☐ 2 No ☒

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

Note

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

Part 2 - Type of involvement

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

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Completed an auditor's report 1 ☒

Completed a review engagement report 2 ☐

Conducted a compilation engagement 3 ☐
Part 3 - Reservations

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

Has the accounting practitioner expressed a reservation? 099 1 Yes ☐ 2 No ☒
Part 4 - Other information

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

If Yes, complete lines 102 to 107 below:

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

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

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

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

Is contingent liability information mentioned in the notes? 106 1 Yes ☒ 2 No ☐

Is information regarding commitments mentioned in the notes? 107 1 Yes ☐ 2 No ☒

Does the corporation have investments in joint venture(s) or partnership(s)? 108 1 Yes ☒ 2 No ☐

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? 109 1 Yes ☐ 2 No ☒

Non-Consolidated Financial Statements of

HALTON HILLS HYDRO INC.

December 31, 2005

Auditors' Report

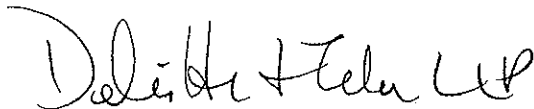
To the Directors of
Halton Hills Hydro Inc.

We have audited the non-consolidated balance sheet of Halton Hills Hydro Inc. as at December 31, 2005 and the non-consolidated statements of income and retained earnings and of cash flows for the year then ended. These financial statements have been prepared on a non-consolidated basis for income tax purposes. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 3 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of Halton Hills Hydro Inc. and the provincial income tax authorities, for income tax purposes. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.



Chartered Accountants

April 5, 2006

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	<u>PAGE</u>
Non-Consolidated Statement of Income and Retained Earnings	1
Non-Consolidated Balance Sheet	2
Non-Consolidated Statement of Cash Flows	3
Notes to the Non-Consolidated Financial Statements	4-15

HALTON HILLS HYDRO INC.**Non-Consolidated Statement of Income and Retained Earnings**

Year Ended December 31, 2005

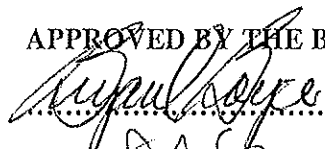
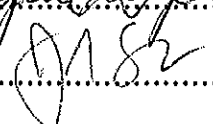
	2005	2004
REVENUE		
Service revenue (Note 16)	\$ 45,731,875	\$ 38,757,079
Other income	1,116,930	1,146,428
	46,848,805	39,903,507
OPERATING EXPENSES		
Power costs	36,847,936	30,683,803
Salaries and benefits	3,489,322	3,250,453
Material costs	1,514,086	1,763,694
Contract services	2,704,632	1,231,776
Property costs	517,652	491,253
Other expenses	753,768	692,462
Communication costs	260,991	233,744
Capital taxes	68,445	80,169
Allocated to capital	(4,702,453)	(3,352,915)
	41,454,379	35,074,439
INCOME BEFORE THE UNDERNOTED	5,394,426	4,829,068
RECOVERY OF REGULATORY ASSETS	1,004,331	441,387
AMORTIZATION	1,884,106	1,814,270
INTEREST EXPENSE	1,188,834	1,170,943
	4,077,271	3,426,600
INCOME BEFORE INCOME TAXES	1,317,155	1,402,468
PROVISION FOR INCOME TAXES (Note 17)		
Current	646,313	415,562
NET INCOME	670,842	989,906
RETAINED EARNINGS, BEGINNING OF THE YEAR	2,394,782	1,404,876
RETAINED EARNINGS, END OF THE YEAR	\$ 3,065,624	\$ 2,394,782

HALTON HILLS HYDRO INC.**Non-Consolidated Balance Sheet**

December 31, 2005

	2005	2004
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,085,729	\$ 3,117,806
Accounts receivable (Note 4)	3,389,257	3,169,392
Unbilled revenue	5,519,301	4,414,486
Inventory	995,697	886,963
Due from related companies (Note 5)	1,334,080	1,098,854
Prepaid expenses and deposits	286,144	246,264
	13,610,208	12,933,765
NOTES RECEIVABLE (Note 6)	865,551	865,551
REGULATORY ASSETS (Note 7)	4,468,443	3,969,596
LONG-TERM INVESTMENTS (Note 8)	904,773	906,070
CAPITAL ASSETS (Note 9)	24,809,367	24,022,240
GOODWILL	352,881	352,881
DEFERRED CHARGES	79,645	-
	\$ 45,090,868	\$ 43,050,103
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 10)	\$ 8,228,664	\$ 6,972,331
Deferred revenue (Note 11)	456,507	-
Current portion of consumer deposits	250,000	500,000
	8,935,171	7,472,331
NOTE PAYABLE TO PARENT (Note 12)	16,141,970	16,141,970
CONSUMER DEPOSITS	339,440	444,857
EMPLOYEE FUTURE BENEFITS (Note 13)	447,000	434,500
	25,863,581	24,493,658
CONTINGENT LIABILITIES (Note 14)		
SHAREHOLDER'S EQUITY		
Capital stock (Note 15)	16,161,663	16,161,663
Retained earnings	3,065,624	2,394,782
	19,227,287	18,556,445
	\$ 45,090,868	\$ 43,050,103

APPROVED BY THE BOARD

..... Director
..... Director

HALTON HILLS HYDRO INC.
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2005

	2005	2004
OPERATING ACTIVITIES		
Cash from operations		
Net income	\$ 670,842	\$ 989,906
Items not requiring a cash outlay		
Amortization	1,884,106	1,814,270
Gain on disposal of capital assets	(25,444)	(3,005)
Difference between employee future benefits expense and amount funded	12,500	20,500
Equity in loss (income) of limited partnership	1,297	(4,707)
	2,543,301	2,816,964
Change in regulatory assets	(498,847)	(489,192)
Changes in non-cash working capital (Note 18)	473,213	(1,004,951)
	2,517,667	1,322,821
FINANCING ACTIVITY		
Net consumer deposits (repaid) received	(355,417)	28,293
INVESTING ACTIVITIES		
Purchase of capital assets	(3,140,292)	(1,740,752)
Proceeds on disposal of capital assets	25,610	3,149
Deferred charges	(79,645)	-
	(3,194,327)	(1,737,603)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,032,077)	(386,489)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,117,806	3,504,295
CASH AND EQUIVALENTS, END OF YEAR	\$ 2,085,729	\$ 3,117,806
SUPPLEMENTAL DISCLOSURE		
Payments for interest	\$ 1,286,905	\$ 1,211,383
Net payments for income tax	\$ 826,758	\$ 655,731

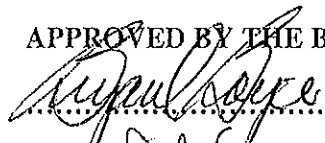
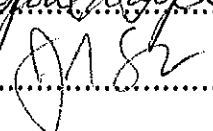
HALTON HILLS HYDRO INC.**Non-Consolidated Statement of Income and Retained Earnings****Year Ended December 31, 2005**

	2005	2004
REVENUE		
Service revenue (Note 16)	\$ 45,731,875	\$ 38,757,079
Other income	1,116,930	1,146,428
	46,848,805	39,903,507
OPERATING EXPENSES		
Power costs	36,847,936	30,683,803
Salaries and benefits	3,489,322	3,250,453
Material costs	1,514,086	1,763,694
Contract services	2,704,632	1,231,776
Property costs	517,652	491,253
Other expenses	753,768	692,462
Communication costs	260,991	233,744
Capital taxes	68,445	80,169
Allocated to capital	(4,702,453)	(3,352,915)
	41,454,379	35,074,439
INCOME BEFORE THE UNDERNOTED	5,394,426	4,829,068
RECOVERY OF REGULATORY ASSETS	1,004,331	441,387
AMORTIZATION	1,884,106	1,814,270
INTEREST EXPENSE	1,188,834	1,170,943
	4,077,271	3,426,600
INCOME BEFORE INCOME TAXES	1,317,155	1,402,468
PROVISION FOR INCOME TAXES (Note 17)		
Current	646,313	415,562
NET INCOME	670,842	989,906
RETAINED EARNINGS, BEGINNING OF THE YEAR	2,394,782	1,404,876
RETAINED EARNINGS, END OF THE YEAR	\$ 3,065,624	\$ 2,394,782

HALTON HILLS HYDRO INC.
Non-Consolidated Balance Sheet
December 31, 2005

	2005	2004
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CURRENT		
Cash and cash equivalents	\$ 2,085,729	\$ 3,117,806
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CAPITAL ASSETS (Note 9)	24,809,367	24,022,240
GOODWILL	352,881	352,881
DEFERRED CHARGES	79,645	-
	\$ 45,090,868	\$ 43,050,103
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CONSUMER DEPOSITS	339,440	444,857
EMPLOYEE FUTURE BENEFITS (Note 13)	447,000	434,500
	25,863,581	24,493,658
CONTINGENT LIABILITIES (Note 14)		
SHAREHOLDER'S EQUITY		
Capital stock (Note 15)	16,161,663	16,161,663
Retained earnings	3,065,624	2,394,782
	19,227,287	18,556,445
	\$ 45,090,868	\$ 43,050,103

APPROVED BY THE BOARD

 Director
 Director

HALTON HILLS HYDRO INC.
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2005

	2005	2004
OPERATING ACTIVITIES		
Cash from operations		
Net income	\$ 670,842	\$ 989,906
Items not requiring a cash outlay		
Amortization	1,884,106	1,814,270
Gain on disposal of capital assets	(25,444)	(3,005)
Difference between employee future benefits expense and amount funded	12,500	20,500
Equity in loss (income) of limited partnership	1,297	(4,707)
	2,543,301	2,816,964
Change in regulatory assets	(498,847)	(489,192)
Changes in non-cash working capital (Note 18)	473,213	(1,004,951)
	2,517,667	1,322,821
FINANCING ACTIVITY		
Net consumer deposits (repaid) received	(355,417)	28,293
INVESTING ACTIVITIES		
Purchase of capital assets	(3,140,292)	(1,740,752)
Proceeds on disposal of capital assets	25,610	3,149
Deferred charges	(79,645)	-
	(3,194,327)	(1,737,603)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,032,077)	(386,489)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,117,806	3,504,295
CASH AND EQUIVALENTS, END OF YEAR	\$ 2,085,729	\$ 3,117,806
SUPPLEMENTAL DISCLOSURE		
Payments for interest	\$ 1,286,905	\$ 1,211,383
Net payments for income tax	\$ 826,758	\$ 655,731

HALTON HILLS HYDRO INC.
Notes to the Non-Consolidated Financial Statements
December 31, 2005

1. NATURE OF OPERATIONS

Halton Hills Hydro Inc., the 'Company', is a wholly-owned corporation of the Town of Halton Hills, and was incorporated on April 13, 1999 under the laws of the Province of Ontario.

The principal activity of the Company is to provide electric power distribution throughout the municipality of Halton Hills.

2. REGULATION

Regulator

The Ontario Energy Board (OEB) has regulatory oversight of the electricity industry in the Province of Ontario. The Ontario Energy Board Act, 1998, the Electricity Act, 1998, the Electricity Restructuring Act, 2004 and a number of other provincial statutes set out the OEB's mandate and authority. The OEB prescribes and enforces licence requirements and conditions towards the following objectives as set out in the Electricity Restructuring Act, 2004:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The OEB's authority and responsibilities include the ability to approve and set rates for the transmission and distribution of electricity, to provide rate protection for various electricity consumers, and to ensure electricity distribution companies fulfill their customer service obligations.

Rate approval process

Rate applications are generally due on an annual basis, with the 2006 rate application due no later than September 6, 2005. The Company, OEB licence number ED-2002-0552, has complied with the filing deadline for the 2006 rate application. Rate adjustments for 2006 will be approved by and come into effect May 1, 2006. The OEB decision in regards to 2006 rates is expected in April 2006.

The rate application process includes oral or written public hearings whereby those who may be affected by the OEB's ruling have the opportunity to express their views.

The OEB's Electricity Distribution Rate Handbook (DRH) contains policies, guidelines and procedures to be used by Ontario electricity distributors in preparing applications for distribution rates. There are, at present, two versions of the DRH. The current version is the 2006 DRH to be used in resetting the revenue requirement of an electricity distributor as part of 2006 distribution rate applications. The prior version of the DRH was used for establishing unbundled distribution rates and for calculating the price cap-based rate adjustment, and was used primarily for distribution rate setting in 2001 and 2002. It also contains information pertinent to electricity distribution rate-setting effective to April 30, 2006.

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

2. REGULATION (continued)

Type of regulation

The OEB currently regulates distribution rates based upon cost-of-service methodology. A market-based rate of return of 9.88%, plus a deemed debt rate of 7.25% was used in determining 2005 rates. For 2006, a rate of return of 9.0%, plus a deemed debt rate of 6.25% has been implemented in rate determination.

The 2005 rates include the final one-third adjustment, as approved by the OEB in March 2005, to bring the Company to its market-based rate of return. The rate increase was effective April 1, 2005 and is subject to a commitment by the Company to invest an amount equivalent to the one-third increase (\$715,000) in Conservation and Demand Management activities over the next three years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on a non-consolidated basis for income tax purposes and reflect the following significant accounting policies as set forth in the Accounting procedures Handbook issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998. These financial statements materially differ from Canadian generally accepted accounting principles (GAAP) because they are non-consolidated. Consolidated financial statements have been presented to the shareholder.

Regulation

The following accounting policies under the regulated environment differ from GAAP for companies operating in an unregulated environment:

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions toward the cost of constructing Company assets. Amortization of contributed capital is on a straight-line basis over 25 years. Capital contributions for the year of \$1,043,632 (2004 - \$708,453) have been charged as an offset to capital assets.

Regulatory assets

Regulatory assets represent future revenues associated with costs incurred in the current or prior periods, which are expected to be recovered from customers in future periods through the rate setting process.

Regulatory assets result from the provincially approved rate of the OEB and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year-end relate primarily to retail settlement variance accounts, pre-market opening cost of power variances and transition costs. Transition costs consist primarily of qualifying capital and related costs incurred in the preparation of market opening. Regulatory assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator.

HALTON HILLS HYDRO INC.
Notes to the Non-Consolidated Financial Statements
December 31, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulatory assets (continued)

The regulatory assets are recovered from the incremental amounts charged to the consumers as approved by the OEB which are included in service revenue. The related reduction of the regulatory assets is disclosed separately on the Statement of Income.

The Ontario Energy Board Amendments Act (Electricity Pricing), 2003, in conjunction with Bill 4, allows for recovery of regulatory assets. The 2005 rate decision included approval to recover regulatory asset balances to December 31, 2003 based on a variable charge.

The 2006 rate setting process allows for the recovery of regulatory assets in existence at December 31, 2004 over a two-year period beginning with the rate change on May 1, 2006. Transition costs recoveries were approved after a write-down of 10% of the total balance recoverable as at May 1, 2006 (including interest) which was charged to income during the year.

Payment in lieu of income taxes

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate income taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC). These payments are recorded in accordance with the rules for computing income taxes, taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company, regulated by the OEB, provides for PILs using the taxes payable method.

Under the taxes payable method, no provision is made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. Future income taxes are expected to be reflected in future rates, and, accordingly, are not recognized in the financial information.

Future PILs disclosures are included in Note 17.

Deferred revenue

Deferred revenue consists of the net amount of the final one-third market-based return rate adjustment in excess of funds expended on Conservation and Demand Management (CDM) activities. The 2005 rates included the final one-third adjustment, as approved by the OEB in March 2005, to bring the Company to its market-based rate of return. The rate adjustment is subject to a financial commitment by the Company to invest an amount equivalent to the final one-third increase, \$715,000 in CDM activities over the next three years.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Service revenue is recorded on the basis of regular meter readings and estimated power usage since the last meter reading date to the year-end. The related cost of power is recorded on the basis of power used.

Other revenues, which include pole attachment rentals, customer requested services and other miscellaneous revenues, are recognized as the service activity is performed.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments, with maturities of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the Statement of Cash Flows and disclosed separately.

Inventory

Inventory is valued at the lower of average cost and net realizable value.

Long-term investments

Long-term investments in subsidiary companies are recorded at cost.

The Company follows the equity method of accounting for its investment in a limited partnership. Under this method, the investment is initially recorded at cost and is adjusted for the Company's proportionate share of any post-acquisition earnings, losses and distributions.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the useful service life as follows:

Distribution system	25 years
Plant	25 - 60 years
Fleet	5 - 8 years
Other equipment	10 - 15 years
Computer equipment and software	1 - 5 years
General office	10 years
Stores equipment	10 years

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

HALTON HILLS HYDRO INC.
Notes to the Non-Consolidated Financial Statements
December 31, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred charges

Deferred charges consist of expenditures that provide future benefit. These charges are amortized on a straight-line basis over 3 years.

Goodwill

Goodwill is recorded at amortized cost as at December 31, 2001. The carrying value of goodwill is tested against the fair values of the entities which generated the goodwill on an annual basis. Management has reviewed the fair values of the entities and has determined that no impairment of goodwill exists.

Employee future benefits

The Company provides its current and retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

4. ACCOUNTS RECEIVABLE

	<u>2005</u>	<u>2004</u>
Electric service revenue	\$ 2,371,474	\$ 2,241,105
Miscellaneous	907,762	884,050
Town of Halton Hills	213,558	114,237
	<u>3,492,794</u>	<u>3,239,392</u>
Less allowance for doubtful accounts	(103,537)	(70,000)
	<u>\$ 3,389,257</u>	<u>\$ 3,169,392</u>

The accounts receivable from the Town of Halton Hills arose in the normal course of operations and are due under normal terms of trade.

Miscellaneous accounts receivable includes \$24,342 (2004 - \$14,655) due from related companies. These receivables arose in the normal course of operations and are due under normal terms of trade.

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

5. DUE FROM RELATED COMPANIES

The Company performs billing and collecting services, capital asset maintenance, finance functions, as well as certain engineering and information system services for related companies.

Amounts due from related companies at December 31st for transactions in the normal course of operations are as follows:

	2005	2004
Halton Hills Fibre Optics Inc.	\$ 1,017,204	\$ 824,191
Southwestern Energy Inc.	27,830	6,422
Halton Hills Energy Services Inc.	283,550	264,815
Halton Hills Energy Inc.	5,496	3,426
	<u>\$ 1,334,080</u>	<u>\$ 1,098,854</u>

Amounts advanced to Halton Hills Fibre Optics Inc. included an additional \$100,000 (2004 - \$500,000) for capital initiatives. The total amount advanced for capital initiatives of \$600,000 is unsecured, bears interest at the prime rate less ½ % and has no specific repayment terms.

Other than the above, these receivables are unsecured and have no specific interest or repayment terms.

Administrative services provided by the Company to related companies during the year are follows:

	2005	2004
Halton Hills Fibre Optics Inc.	\$ 63,480	\$ 54,436
SouthWestern Energy Inc.	271,506	266,003
	<u>\$ 334,986</u>	<u>\$ 320,439</u>

6. NOTES RECEIVABLE

The Company holds the following notes receivable:

	2005	2004
Halton Hills Energy Services Inc., unsecured, non-interest bearing, no fixed terms of repayment, due December 31, 2010	\$ 171,853	\$ 171,853
Halton Hills Fibre Optics Inc., unsecured, bears interest at prime less 1%, no fixed repayment terms for principal, due December 31, 2010	693,698	693,698
	<u>\$ 865,551</u>	<u>\$ 865,551</u>

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

7. REGULATORY ASSETS

Regulatory assets are as follows:

	2005	2004
Pre-market opening energy variance	\$ 337,166	\$ 265,377
Retail settlement variance	3,737,662	3,425,996
Retail cost variance	11,949	6,466
Transition costs	381,666	271,757
	<u>\$ 4,468,443</u>	<u>\$ 3,969,596</u>

Management expects that regulatory assets attained during 2005 will also be recovered through future rate increases. If in a future decision, the regulator determines that the existing regulatory treatment is no longer applicable, the regulatory assets would be charged to operations.

In the absence of rate regulation, GAAP would require that the actual purchased power costs (including any variances arising from electricity commodity, retail transmission and wholesale market costs), as well as transition costs, be recognized as an expense when incurred.

In the absence of rate regulation, power costs for the year would have been higher by \$202,466 (2004 - \$217,472) and interest income would have been lower by \$296,381 (2004 - \$158,140). The net effect, in the absence of rate regulation, is a pre-tax decline in net income of \$498,847 (2004 - \$375,612).

8. LONG-TERM INVESTMENTS

The Company holds the following investments, all of which are wholly-owned, except for the investment in EnerConnect Inc., a limited partnership investment, of which 46,389 units (1.5865% share of partnership) are held:

	2005	2004
Halton Hills Energy Inc.	\$ 1	\$ 1
SouthWestern Energy Inc.	171,853	171,853
Halton Hills Fibre Optics Inc.	693,698	693,698
EnerConnect Inc.	39,221	40,518
	<u>\$ 904,773</u>	<u>\$ 906,070</u>

The investment in EnerConnect includes the proportionate share of the company's income (loss) for the year 2005 - \$(1,297) (2004 - \$4,707).

HALTON HILLS HYDRO INC.
Notes to the Non-Consolidated Financial Statements
December 31, 2005

9. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Distribution system	\$ 24,916,035	\$ 5,221,214	\$ 19,694,821	\$17,866,050
Plant	7,957,255	1,579,322	6,377,933	6,214,289
Fleet	1,380,887	859,542	521,345	667,479
Other equipment	1,305,426	397,735	907,691	899,946
Computer equipment and software	1,088,496	828,256	260,240	350,819
General office	266,167	129,867	136,300	157,874
Stores equipment	51,007	27,861	23,146	28,344
Contributed capital	(3,329,331)	(217,222)	(3,112,109)	(2,162,561)
	\$ 33,635,942	\$ 8,826,575	\$ 24,809,367	\$24,022,240

During the year, the Company recorded capital asset additions of \$2,671,398 (2004 - \$2,343,561), of which \$128,487 (2004 - \$597,381) were recorded in accounts payable at year-end.

10. ACCOUNTS PAYABLE

Accounts payable includes an amount of \$1,124,680 (2004 - \$Nil) due to low volume and designated customers arising from the Ontario Price Credit (OPC) rebate program. The rebate funds have been received by the Company from the Ontario Electricity Financial Corporation (OEFC) through the Independent Electricity System Operator. The OPC rebate represents the OEFC surplus between fixed and wholesale electricity commodity prices during the period April 1, 2004 and March 31, 2005.

Accounts payable also includes \$5,778 (2004 - \$Nil) due to related companies. These payable arose in the normal course of operations and are due under normal terms of trade.

11. DEFERRED REVENUE

During the year, the Company collected \$595,833 (2004 - \$Nil) of revenue related to the final one-third market-based rate of return adjustment. At December 31, 2005, the Company had expended \$139,326 towards Conservation and Demand Management activities. The net balance of revenues over expenditures totals \$456,507 (2004 - \$Nil).

In the absence of rate regulation, service revenue for the year would have been higher by \$456,507 (2004 - \$Nil), resulting in a pre-tax increase in net income of \$456,507 (2004 - \$Nil).

12. NOTE PAYABLE

The note payable is due to the Town of Halton Hills, bears interest at 7.25% and is due December 31, 2010. There are no fixed terms for the repayment of principal.

HALTON HILLS HYDRO INC.
Notes to the Non-Consolidated Financial Statements
December 31, 2005

13. EMPLOYEE FUTURE BENEFITS

The Company pays certain medical and life insurance benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2005 of \$447,000 (2004 - \$434,500) and the expense for the year then ended was determined by actuarial valuation using a discount rate of 5.5%.

Information regarding the defined benefit plan of the Company is as follows:

	2005	2004
Accrued benefit liability at January 1	\$ 434,500	\$ 414,000
Expense for the year ended December 31	29,220	40,768
Benefits paid during the year	(16,720)	(20,268)
Projected accrued benefit obligation at December 31 determined by actuarial valuation using a 5.5% discount rate	\$ 447,000	\$ 434,500

The main actuarial assumptions utilized for the valuation are as follows:

General Inflation – future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.2% in 2005 and thereafter.

Discount (Interest) Rate – the obligation as at December 31, 2005 of the present value of future liabilities and the expense for the year then ended were determined using a discount rate of 5.5%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.3%.

Salary levels – future general salary and wage levels were assumed to increase at the CPI rate plus productivity, merit and promotion gains of 1.3% per annum.

Medical costs – medical costs were assumed to increase at the CPI rate plus a further increase of 2.3% in 2005 and thereafter.

Dental costs – dental costs were assumed to increase at the CPI rate plus 2.3%.

14. CONTINGENT LIABILITIES

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

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

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

14. CONTINGENT LIABILITIES (continued)

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

The Company has also been named defendant in a legal action alleging wrongful dismissal of a former employee. The action seeks \$345,000 in damages. Legal counsel to the Company has assessed the Company's potential liability resulting from the action. Any settlement above the liability accrued in the current year will be reflected as a charge to income in the year incurred.

15. CAPITAL STOCK

	2005	2004
Authorized		
Unlimited number of preference shares		
Unlimited number of common shares		
Issued		
1152 common shares	\$ 16,161,663	\$ 16,161,663

16. SERVICE REVENUE

Service revenue consists of:

	2005	2004
Cost of power	\$ 36,847,936	\$ 30,666,572
Distribution	8,883,939	8,090,507
	\$ 45,731,875	\$ 38,757,079

17. PROVISION FOR TAXES

For the year ended December 31, 2005, the provision for PILs was \$596,000 (2004 - \$545,000). Actual expense for the year amounted to \$646,313 (2004 - \$415,562)

Future income taxes are not included in the tax provision for the company. If future income taxes were included, a future income tax asset of \$1,045,000 (2004 - \$860,000) and a future income tax benefit of \$185,000 (2004 - \$23,600) would have been recorded.

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

18. CHANGES IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consists of the following:

	2005	2004
Accounts receivable	\$ (219,865)	\$ (225,480)
Unbilled revenue	(1,104,815)	(478,951)
Inventory	(108,735)	(32,828)
Prepaid expenses and deposits	(39,880)	(128,971)
Accounts payable and accrued liabilities	1,725,227	456,315
Due from related companies	(235,226)	(595,036)
Deferred revenue	456,507	-
	<u>\$ 473,213</u>	<u>\$ (1,004,951)</u>

19. COMMITMENTS

The Company has minimum annual lease commitments for office equipment and software support in the following approximate amounts:

2006	\$ 18,600
2007	4,900

20. CREDIT FACILITIES

a) Operating line of credit

The Company has an available operating line of credit from a financial institution in the amount of \$1,375,000 (2004 - \$925,000). Interest on the line of credit is at prime less 0.55%. At year-end this operating line was not utilized by the Company.

b) Security on Electricity purchases

As of May 2002, in order for the Company to obtain the electricity it requires to distribute to its customers, the Company is required to provide security to the Independent Electricity System Operator based on its estimated usage. The security obtained was a letter of credit issued in the amount of \$1,952,426 from a financial institution.

c) Covenants

The above credit facilities require a debt-to-equity ratio of less than 1.5 to 1, a working capital ratio not less than 1.25 to 1 and a fixed charge coverage ratio of not less than 1.25 to 1. As at December 31, 2005, the Company is in compliance with these covenants.

HALTON HILLS HYDRO INC.

Notes to the Non-Consolidated Financial Statements

December 31, 2005

21. PENSION AGREEMENT

The Company and its employees contribute to the Ontario Municipal Employee's Retirement System (OMERS), a defined benefit pension plan for the employees of Ontario municipalities. As the Company is only liable for the contributions, defined contribution plan accounting is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2005 was \$170,947 (2004 - \$160,450).

22. FINANCIAL INSTRUMENTS

Credit Risk

The Company is exposed to credit risk from its customers, however, the concentration of this risk is minimized due to the large number of diverse customers.

Fair Value

The Company's recognized financial instruments consist of cash, accounts receivable, accounts payable, consumer deposits and note payable to parent. The fair value of cash, and cash equivalents, accounts receivable unbilled revenue, due from related parties, accounts payable and accrued liabilities and deferred revenue was equal to the book value given the short-term nature of these items. As there is no secondary market for consumer deposits, the calculation of a fair value with appropriate reliability is impractical.

It is not practicable within the constraint of cost to determine the fair value of the note payable to parent with sufficient reliability.

23. ADOPTION OF ACCOUNTING GUIDELINE

The Company, effective December 31, 2005, adopted the CICA Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". This guideline requires disclosure of how regulated transactions would have been reflected in the absence of rate regulation and disclosure useful to gain an understanding of the regulatory environment.

24. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year presentation.



Fiscal period end / Exercice se terminant le 2005 12 Year/Année Month/Mois		01. Partnership's filer identification number H A 5 1 3 2 0 6 3 Numéro d'identification de la société de personnes		02. Tax shelter identification number T S Numéro d'inscription de l'abri fiscal		03. Type of slip - Genre de feuillet. Original <input checked="" type="checkbox"/> Amended <input type="checkbox"/> Additional <input type="checkbox"/> Cancelled <input type="checkbox"/> Duplicate <input type="checkbox"/> Double <input type="checkbox"/>			
14. Partnership code 1 Code du genre de soc. de personnes		05. Business code 1 2 2 5 Code du genre d'activité		06. Tax shelter's principal business activity and code Principale activité commerciale de l'abri fiscal et code		07. Country Code C A N Code du pays		08. Is this a publicly traded partnership? No - Non <input checked="" type="checkbox"/> Yes - Oui <input type="checkbox"/> S'agit-il d'une société de personnes cotée en bourse?	
09. Member code 0 Code de l'associé		10. Number of partnership units held 46,389.0000 Nombre d'unités détenues de la société de personnes		11. Partner's share (%) of partnership income (loss) 1.5865 Part (%) de l'associé dans les revenus (pertes) de la société de personnes		12. Recipient's identification number Numéro d'identification du bénéficiaire			
Partner's name and address - Nom et adresse de l'associé HALTON HILLS HYDRO INC. 43 ALICE STREET ACTON ON L7J 2A9				Partnership's name and address - Raison sociale et adresse de la société de personnes THE ENERCONNECT LIMITED PARTNERSHI RICHARD CROUCH 10 KING STREET EAST SUITE 1001 TORONTO ON M5C 1C3					

Section 1 - Partnership information - Renseignements sur une société de personnes													
18. Canadian and foreign net business income (loss) (1,296:73) Revenu net (perte nette) d'entreprise canadien et étranger		19. Foreign net business income (loss) Revenu net (perte nette) d'entreprise étranger		20. Canadian and foreign net rental income (loss) Revenu net (perte nette) de location canadien et étranger		21. Foreign net rental income (loss) Revenu net (perte nette) de location étranger		22. Capital cost allowance 539:63 Déduction pour amortissement		23. Capital gains (losses) Gains (pertes) en capital		24. Capital gains reserve Provision relative aux gains en capital	
25. Actual amt. of div. from corp. resident in Canada Montant réel des dividendes de sociétés résidant au Canada		26. Interest from Canadian sources Intérêts de source canadienne		27. Foreign dividends and interest income Revenu étranger en dividendes et en intérêts		28. Business investment loss(es) Perte(s) au titre d'un placement d'entreprise		29. Dividend rental arrangement compensation payments Paiements compensatoires d'un mécanisme de transfert de dividendes		30. Carrying charges Frais financiers		31. Limited partnership loss available for carryforward Perte comme commanditaire disponible à reporter	
32. Income tax deducted Impôt sur le revenu retenu		33. Foreign tax paid Impôt étranger payé		34. Charitable donations and government gifts Dons de bienfaisance et dons au gouvernement		35. Cultural and ecological gifts Dons de biens culturels ou écosensibles		36. Federal political contributions Contributions politiques fédérales		37. Provincial and territorial political contributions Contributions politiques provinciales et territoriales		38. Investment tax credit Crédit d'impôt à l'investissement	
39. Canadian exploration expenses Frais d'exploration au Canada		40. Canadian development expenses Frais d'aménagement au Canada		41. Canadian oil and gas property expenses Frais à l'égard de biens canadiens relatifs au pétrole et au gaz		42. Foreign exploration and development expenses Frais d'exploration et d'aménagement à l'étranger		43. Recapture of earned depletion Récupération de la déduction pour épuisement gagnée		44. Amt. eligible for resource allowance deduction Montant donnant droit à la déd. relative aux ressources		45. Limited partner's at-risk amount 26,051:61 Fraction à risques de la participation du commanditaire	
46. Assistance for Canadian exploration expenses Aide pour frais d'exploration au Canada		47. Assistance for Canadian development expenses Aide pour frais d'aménagement au Canada		48. Assistance for Canadian oil and gas property expenses Aide pour frais à l'égard de biens can. relatifs au pétrole et au gaz				51. Partnership's total gross income 1,771,183:00 Revenu brut total de la société de personnes					

Details - Détails

Complete Section 2 only if the partnership is a tax shelter. Remplissez la section 2 seulement si la société de personnes est un abri fiscal.

Section 2 - Tax shelter information - Renseignements sur un abri fiscal											
53. Number of units acquired Nombre d'unités acquises		54. Cost per unit Coût par unité		55. Total cost of units Coût total des unités		56. Limited-recourse amounts Montant à recours limité		57. At-risk adjustment Montant de rajustement à risque		58. Other indirect reductions Autres réductions indirectes	
Income Tax Act Paragraph 237.1(5)(c) - The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.						Loi de l'impôt sur le revenu alinéa 237.1(5)(c) - Le numéro d'inscription attribué à cet abri fiscal doit figurer dans toute déclaration d'impôt sur le revenu produite par l'investisseur. L'attribution de ce numéro n'est qu'une formalité administrative et ne confirme aucunement le droit de l'investisseur aux avantages fiscaux découlant de cet abri fiscal.					

Complete Section 3 only if the partnership invested in flow-through shares of a principal-business corporation. Remplissez la section 3 seulement si la société de personnes a fait des placements dans des actions accréditives d'une entreprise principale.

Section 3 - Allocation of Canadian exploration and development expenses - Répartition des frais d'exploration au Canada et des frais d'aménagement au Canada							
Canadian exploration expense - CEE Frais d'exploration au Canada - FEC		Renunciation Renonciation		Assistance Montant d'aide		Expenses qualifying for a provincial tax credit Frais admissibles aux fins d'un crédit d'impôt provincial	
Canadian development expense - CDE Frais d'aménagement au Canada - FAC		130		134		BC 141	
Portion subject to an interest-free period - CEE Partie donnant lieu à une période sans intérêt - FEC		131		135		SK 143	
		140				MB 144	
Investment Tax Credit - ITC Crédit d'impôt à l'investissement - CII		Expenses qualifying for ITC Frais admissibles aux fins du CII		Portion subject to an interest-free period - ITC Partie donnant lieu à une période sans intérêt		ON 145	
Amount for ITC Montant pour CII		138		139			

Financial Statements of

THE ENERCONNECT LIMITED PARTNERSHIP

Year ended December 31, 2004

* HHH holds 1.5651 % share of
Enerconnect LP per TS013
= 46,389 units held.



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AUDITORS' REPORT

To the Limited and General Partners of The ENERconnect Limited Partnership

We have audited the balance sheet of The ENERconnect Limited Partnership as at December 31, 2004 and the statements of earnings, partners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Chartered Accountants

Toronto, Canada

February 2, 2005

THE ENERCONNECT LIMITED PARTNERSHIP

Balance Sheet

December 31, 2004, with comparative figures for 2003

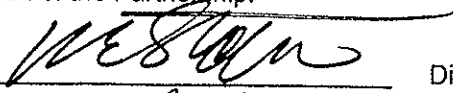
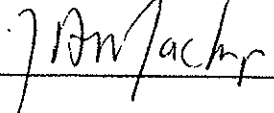
	2004	2003
Assets		
HHH share ~ 1.5651 %		
Current assets:		
Cash	\$ 598,997	\$ 848,992
Certificates of deposit	401,615	-
Accounts receivable (note 3)	375,328	328,671
Prepaid expenses	5,484	6,232
	1,381,424	1,183,895
Capital assets (note 4)	135,054	31,961
Option, at cost (note 5)	200,000	200,000
Deferred charges	47,223	188,889
	\$ 1,763,701	\$ 1,604,745

Liabilities and Partners' Equity

Asset share ~ 27,604		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 195,126	\$ 225,789
Current portion of start-up funding advances (note 6)	275,000 ①	50,000
Deferred revenue	84,990	90,630
	555,116	366,419
Start-up funding advances (note 6)	-	326,216
Partners' equity (note 7)	1,208,585 ②	912,110
Nature of operations (note 1)		
Commitments (note 8)		
Subsequent event (note 9)		
	\$ 1,763,701	\$ 1,604,745

See accompanying notes to financial statements.

On behalf of the Partnership:

 Director
 Director

Loan share ① x 1.5651% = 4,304

PUC share ② x " = 18,916

2005
es 19

27,500

4,000
18,000

THE ENERCONNECT LIMITED PARTNERSHIP

Statement of Earnings

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Sales (note 3)	\$ 2,961,482	\$ 3,084,053
Other	28,459	13,105
	1,565,156 ← 2,989,941	3,097,158
	- 46,796	
Cost of sales	2,031,235	1,963,505
Gross profit	958,706	1,133,653
Expenses:		
Management, consultants and administrative	306,411	284,983
Amortization of deferred charges	141,666	141,667
Board	35,322	10,637
Rent and utilities	66,489	59,054
Professional fees	53,319	55,667
Amortization of equipment and leasehold	47,234	10,824
Public relations	42,833	1,471
Interest and bank charges	8,446	21,032
Advertising	16,544	-
	718,264	585,335
Earnings before the undernoted	240,442	548,318
Settlement discount on extinguishment of debt (note 6)	56,033	-
Net earnings	\$ 296,475	\$ 548,318

2005
est'd

46,000

Statement of Partners' Equity

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Partners' equity, beginning of year	\$ 912,110	\$ 363,792
Net earnings	296,475	548,318
Partners' equity, end of year	\$ 1,208,585	\$ 912,110

See accompanying notes to financial statements.

THE ENERCONNECT LIMITED PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Cash received for goods and services	\$ 2,926,129	\$ 3,117,385
Cash paid to suppliers and employees	(2,585,697)	(2,427,599)
Interest received	11,515	11,505
Interest paid	-	(5,736)
	351,947	695,555
Financing:		
Repayment on start-up funding advances	(50,000)	(50,000)
Repayments on loans payable	-	(191,186)
	(50,000)	(241,186)
Investments:		
Certificates of deposit	(401,615)	-
Option	-	(200,000)
Expenditure for capital assets	(150,327)	(9,500)
	(551,942)	(209,500)
Increase (decrease) in cash	(249,995)	244,869
Cash, beginning of year	848,992	604,123
Cash, end of year	\$ 598,997	\$ 848,992

See accompanying notes to financial statements.

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements

Year ended December 31, 2004

1. Nature of operations:

The ENERconnect Limited Partnership ("ENERconnect" or the "Partnership") was organized under the provisions of the Limited Partnership Act (Ontario). The Partnership was founded primarily for the purpose of procuring power on behalf of, and providing services relating to power procurement to, its Limited Partners. ENERconnect may also procure power for and provide related services to entities which are not Limited Partners.

For each of the three years ended December 31, 2002, 2003 and 2004, the Partnership has primarily derived all its revenue from the sale of settlement service to its Limited Partners. Substantially all of the contracts initial term of three years have or will expire on or before May 2005. The market for providing settlement services to Ontario's local electricity distribution companies continues to develop. Competitors have entered the market and offer settlement services at rates significantly lower than the Partnership's historical contract rates. The Partnership's exposure to economic risk associated with the lower rates for settlement services offered by competitors could impact the future profitability of the Partnership.

The Partnership intends to actively secure additional contracts with current and prospective customers. However, the Partnership cannot predict the timing, scale or certainty of revenue that may be derived from these sources.

2. Significant accounting policies:

(a) Basis of accounting:

As a limited partnership, the liability of each Limited Partner for the debts, liabilities, obligations and losses of ENERconnect, is limited to the contribution of that Limited Partner plus its pro rata share of the undistributed income of the Partnership. The General Partner, ENERconnect Inc., shall have unlimited liability for all the debts, liabilities, obligations and losses of ENERconnect.

These financial statements do not include all of the assets, liabilities, revenue and expenses of the Partners. No provision for any income taxes that might be determined to be applicable to each Partner's share of any income is provided in these financial statements.

(b) Cash and cash equivalents:

Deposits in banks, certificates of deposit and money market investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments in certificates of deposit and money market investments with a maturity greater than three months are carried at the lower of cost and market.

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2004

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided in the financial statements at the following rates:

Asset	Basis	Rate
Computer equipment	Declining balance	33%
Office furniture and equipment	Declining balance	20%
Computer software	Straight line	25%
Leasehold improvements	Straight line	Over the lease term

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(d) Deferred charges:

Deferred charges represent organization and start-up costs. These costs were deferred until commencement of operations in May 2002, at which point such costs began to be amortized on a straight-line basis over a three year period.

(e) Deferred revenue:

Deferred revenue represents consideration for a contingent liability that was received upon transfer of the Partnership's Electricity Service Agreement to an alternative service provider. Revenue will be recognized as the liability is incurred, or expires.

(f) Revenue recognition:

Revenue is recognized in the period in which services are provided, or obligations to perform services have lapsed.

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2004

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates relate to the rate of amortization of deferred charges, and the term over which capital assets will provide future value. Actual results could differ from those estimates.

3. Related party transactions:

During the year, sales of \$2,961,482 (2003 - \$3,101,908) were made to Limited Partners. Accounts receivable includes \$366,661 (2003 - \$310,396) owed in respect of fees for November and December by customers that are Limited Partners.

4. Capital assets:

			2004		2003	
	Cost	Accumulated amortization	Net book value		Net book value	
Computer equipment	\$ 60,335	\$ 56,148	\$ 4,187	\$	4,409	
Office furniture and equipment	57,829	45,724	12,105		15,131	
Computer software	158,350	39,588	118,762		9,500	
Leasehold improvements	33,815	33,815	-		2,921	
	\$ 310,329	\$ 175,275	\$ 135,054	\$	31,961	

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2004

5. Option, at cost:

In fiscal 2003, a non-interest bearing advance in the amount of \$200,000 was made to the Service Provider, secured by a general security agreement. This advance is to be applied against the cost of purchasing shares or assets of the Service Provider, should the Partnership so elect, under the terms of a letter of agreement dated June 26, 2003. During the year the Partnership exercised the option to purchase the shares of the Service Provider on May 1, 2005, for a purchase price of \$350,000. Subject to compliance with the terms of the transaction, the non-interest bearing advance of \$200,000 is to be applied against the purchase price and the remaining amount \$150,000 is to be paid in three equal instalments of \$50,000, with the first instalment payable on closing, May 1, 2005, the second instalment payable November 1, 2005 and the third instalment payable May 1, 2006. This acquisition will be accounted for using the purchase method with the results of operations included in the Partnership's financial statements from the date of acquisition.

6. Start-up funding advances:

The Electricity Distributors Association (the "EDA") is the sole shareholder of the General Partner, ENERconnect Inc.. EDA advanced, by way of direct and indirect expenditures, \$425,000 to support the establishment of ENERconnect. Initially ENERconnect agreed to repay the \$425,000, subject to generating sufficient net earnings. In fiscal 2002, ENERconnect repaid \$25,000. Further, in fiscal 2003, ENERconnect agreed to repay the remaining \$400,000 in four instalments as follows: May 1, 2003 - \$50,000; May 1, 2004 - \$50,000; May 1, 2005 - \$100,000; and May 1, 2006 - \$200,000. ENERconnect also agreed to pay interest at an annual rate of 4%. During the year ENERconnect paid the scheduled instalment of \$50,000 due May 1, 2004. Subsequent to May 1, 2004, ENERconnect negotiated an agreement with EDA to extinguish the balance payable prior to maturity through the payment of a lump sum of \$275,000 on January 1, 2005. ENERconnect paid the \$275,000 of January 1, 2005. The difference of \$56,033 between the balance payable of \$331,033 as at December 31, 2004 including accrued interest of \$31,033 and the \$275,000 paid on January 1, 2005 has been recorded as settlement discount on extinguishment of debt in the statement of earnings.

Interest on the start-up funding advances of \$4,817 (2003 - \$14,966) is included in interest and bank charges expense.

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2004

7. Partners' equity and allocation of income and losses:

Under the provisions of the Limited Partnership Agreement, Ontario Municipal Electric Utilities ("MEU's") were invited to contribute funds and become Limited Partners of ENERconnect. The General Partner made an assignment of points based upon the contribution made by the MEU's and whether a subscription agreement was entered into prior to March 31, 1998 or subsequently. The points so assigned form the basis of each Limited Partners' voting privileges and allocation of ENERconnect's net income or loss.

A number of municipal electric utilities that subscribed to be limited partners were sold or amalgamated. Under provisions of the Limited Partnership Agreement, a limited partner's interest is not assignable, although provisions of the Agreement do allow for a deemed assignment upon amalgamation subject to provisions which may reduce the amalgamated partner's points. As decisions are rendered by the Ontario Energy Board approving applications of sale or amalgamation, adjustments are made to points outstanding.

Changes in outstanding points are as follows:

	2004	2003
Opening balance - points	2,999,950	3,021,950
Reductions on amalgamation or sale of MEU's	(36,000)	(22,000)
Closing balance - points	2,963,950	2,999,950

8. Commitments:

The Partnership leases its premises and certain office equipment under operating lease agreements. The minimum payments, including expected common area cost contributions, are approximately as follows:

2005	\$	44,000
2006		2,000
2007		2,000

THE ENERCONNECT LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2004

9. Subsequent event:

On January 1, 2005, as disclosed in note 6, the Partnership paid \$275,000 to extinguish a payable of \$331,033 to the EDA.