Financial Statements of

ENWIN UTILITIES LTD.

Year ended December 31, 2007

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AUDITORS' REPORT

To the Shareholder

We have audited the balance sheet of Enwin Utilities Ltd. as at December 31, 2007 and the statements of retained earnings, earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Windsor, Canada
February 29, 2008

ENWIN UTILITIES LTD.

Balance Sheet
(In thousands of dollars)

December 31, 2007, with comparative figures for 2006

	2007	2006 (Restated) (See note 2)
Assets		
Current assets:		
Term deposit	$ -	$ 1,000
Accounts receivable	17,575	22,356
Unbilled revenue	18,452	15,877
Due from related party (note 7)	-	849
Inventories	2,220	2,656
Prepaid expenses	246	1,435
	38,493	44,173
Capital assets (note 4)	175,200	190,772
Work in progress	458	183
Future payments in lieu of income taxes (note 13)	15,713	6,773
	191,371	197,728
	$ 229,864	$ 241,901

	2007	2006 (Restated) (See note 2)

Liabilities and Shareholder's Equity

	2007	2006
Current liabilities:		
Bank indebtedness (note 6)	$ 14,455	$ 30,112
Accounts payable and accrued liabilities	23,160	23,969
Due to related parties (note 7)	7,288	5,135
Payments in lieu of income taxes payable	1,834	1,838
Regulatory liabilities (note 5)	5,010	504
Deferred revenue	329	965
Current portion of customer deposits	813	1,115
Current portion of long term borrowings	3,074	2,903
	55,963	66,541
Long-term liabilities:		
Customer deposits	8,002	4,673
Deferred revenue	-	1,353
Vested sick leave	17	62
Long-term borrowings (note 8)	52,424	55,318
Employee future benefits (note 9)	31,504	29,927
	91,947	91,333
Shareholder's equity:		
Common shares (note 11)	62,008	76,818
Contributed capital	516	516
Retained earnings	19,430	6,693
	81,954	84,027
Contingencies and commitments (notes 14, 15 and 16)		
	$ 229,864	$ 241,901

See accompanying notes to financial statements.

On behalf of the Board:

____________________________ Director

____________________________ Director

ENWIN UTILITIES LTD.

Statement of Retained Earnings
(In thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

		2007		2006 (Restated) (See note 2)
Retained earnings (deficit), beginning of year	$	6,693	$	(4,256)
Net earnings for the year		15,737		12,949
Dividends declared		(3,000)		(2,000)
Retained earnings, end of year	$	19,430	$	6,693

See accompanying notes to financial statements.

ENWIN UTILITIES LTD.

Statement of Earnings
(In thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006 (Restated) (See note 2)
Revenue:		
Customer billing for electricity and services charges	$ 227,635	$ 224,755
Cost of electricity purchased	184,315	183,844
	43,320	40,911
Services provided to Windsor Utilities Commission (note 7)	8,614	7,318
Services provided to Enwin Energy Ltd. (note 7)	695	39
Maxess Networx	-	3,359
Other income from operations (note 18)	4,817	5,624
	57,446	57,251
Operating expenses	30,502	33,276
Earnings before the undernoted items and taxes	26,944	23,975
Amortization	10,985	12,346
Gain on sale of capital assets	(299)	(213)
Interest	5,172	5,679
Settlement of regulatory assets (liabilities) (notes 3 and 5)	-	(2,511)
	15,858	15,301
Earnings before taxes	11,086	8,674
Payments in lieu of taxes (note 13):		
Current	4,289	2,498
Future	(8,940)	(6,773)
	(4,651)	(4,275)
Net earnings for the year	$ 15,737	$ 12,949

See accompanying notes to financial statements.

ENWIN UTILITIES LTD.

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006 (Restated) (See note 2)
Cash provided by (used in):		
Operations:		
Net earnings for the year	$ 15,737	$ 12,949
Add items not affecting cash:		
Amortization of capital assets	10,985	12,346
Change in employee future benefits	1,577	2,196
Gain on sale of capital assets	(299)	(213)
Future payments in lieu of income taxes	(8,940)	(6,773)
Change in work in progress	(275)	437
Change in customer deposits	3,027	380
Change in vested sick leave	(45)	3
Change in deferred revenue	(1,989)	(1,647)
Amortization of deferred debt issuance costs	180	179
Change in non-cash working capital (note 12)	3,018	(3,438)
	22,976	16,419
Financing:		
Decrease in bank indebtedness	(15,657)	(5,546)
Increase (decrease) in regulatory liabilities	4,506	(228)
Repayment of long-term borrowings	(2,903)	(2,742)
Due to related parties, net	3,002	(2,594)
Dividends declared	(3,000)	(2,000)
	(14,052)	(13,110)
Investments:		
Maturity of term deposit	1,000	-
Acquisition of capital assets	(10,307)	(12,569)
Proceeds on sale of capital assets	383	223
	(8,924)	(12,346)
Change in cash during the year	-	(9,037)
Cash, beginning of year	-	9,037
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

Enwin Utilities Ltd. is a local distribution company responsible for the transmission and distribution of electricity, as well as the service and maintenance of the City of Windsor's powerline infrastructure. Enwin Utilities Ltd. also provides billing, credit, financial and customer service on behalf of Enwin Enwin Energy Ltd., Windsor Utilities Commission ("the Commission") and the City of Windsor. Enwin Utilities Ltd. was formed on January 2, 2007 as a result of the amalgamation of the former Enwin Utilities Ltd. and Enwin Powerlines Ltd.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") including accounting guidelines prescribed by the Ontario Energy Board (the "OEB") in the Accounting Procedures Handbook (the "AP Handbook") for Electric Distribution Utilities. The significant accounting policies are summarized below.

In 2007, the Corporation adopted certain new accounting policies in order to comply with new CICA Handbook sections – see note 1(o).

a) Rate regulation:

The Corporation is regulated by the OEB under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity customers and for ensuring the distribution companies fulfill obligations to connect and service customers.

The economic impact of rate regulation is reported in these financial statements. Regulatory assets (liabilities) represent certain costs that may be recovered from (or refunded to) customers in future periods through the rate-making process. In its capacity to approve or fix rates, the OEB has specified the following regulatory treatments, which have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

(In thousands of dollars)

1. Significant accounting policies (continued):

Settlement variances:

The Corporation has deferred certain post-market opening retail settlement variances in accordance with Article 490 set out in the AP Handbook. The settlement variances relate primarily to service charges, non-competitive electricity charges, and power charges (note 5). The nature of the settlement variances is such that their balance shall change each reporting period-end date.

b) Inventories:

Inventories consist principally of construction and maintenance materials and are stated at the lower of cost and net market value, with cost determined on an average cost basis and market value determined on replacement cost basis.

c) Capital assets:

Capital assets are recorded at cost with cost being determined based on material, purchased services, internal labour and overhead as applicable.

Amortization is calculated on a straight-line basis over the estimated service lives of capital assets as follows:

Asset	Estimated service life
Buildings	50 years
Transformer station	40 years
Substation equipment	30 years
Distribution system - overhead	25 years
Distribution system - underground	25 years
Transformers	25 years
Meters	25 years
Services	25 years
Office equipment	10 years
Rolling stock	4 - 8 years
Computer hardware and software	3 - 5 years
Other equipment	8 - 20 years
Assets under capital lease	3 years

d) Work in progress:

Work in progress is recorded at cost with cost being determined based on material, purchased services, internal labour and overhead as applicable.

1. Significant accounting policies (continued):

e) Customer deposits:

Customer deposits include cash collections from customers, which are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their service. Customer deposits are also refundable to customers demonstrating an acceptable level of credit risk, as determined by the Corporation. Customer deposits also include refundable maintenance deposits from developers, deposits for recoverable work orders, and prudential deposits from retailers.

f) Employee future benefits:

The Corporation provides post employment benefits such as compensated sick leave and post retirement benefits such as life insurance, supplemental health and dental coverage for employees who retire from active employment.

The Corporation accrues its obligations under employee benefit plans and the related costs.

The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

The excess of net actuarial gains (losses) over 10% of the benefit obligation is amortized on a straight-line basis over the average remaining service period of the employees, which is eight years at December 31, 2007 (2006 – eight years). Settlement gains or losses are recognised in the year in which they arise.

g) Pension plan:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan.

1. **Significant accounting policies (continued):**

h) Revenue recognition:

Revenue is recognized on the accrual basis and includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading.

i) Deferred revenue:

Revenues collected through the Corporation's distribution rates, for the conservation and demand management program which have not yet been expended, are recorded as deferred revenue.

j) Vested sick leave:

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees hired prior to January 1, 1977 may become entitled to a cash payment when they leave the Corporation's employment. The liability for those accumulated days, to the extent that they have vested and could be taken in cash by an employee upon termination, has been recorded.

k) Related party transactions:

Transactions with related parties are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

Related parties include Enwin Energy Ltd., Windsor Utilities Commission and the Corporation of the City of Windsor.

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

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

Pursuant to the *Electricity Act, 1998*, the Corporation is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the ITA and the OCTA as modified by the *Electricity Act, 1998*, and related regulations.

1. Significant accounting policies (continued):

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

The Corporation provides for amounts in lieu of corporate income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future tax asset if it is more likely than not the asset will not be realized.

m) Long-lived assets:

Long-lived assets, including capital assets, are amortized over their useful lives. The Corporation periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Corporation reviews for impairment long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Corporation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

1. Significant accounting policies (continued):

n) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Certain estimates are also required as regulations, which will ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. Significant estimates subject to such estimates and assumptions include the carrying value of capital assets, future tax assets or liabilities, employee future benefits and valuation allowances for accounts receivable, inventories and future PILs. Due to these uncertainties, actual results reported in future periods may differ from those estimates.

o) Adoption of new CICA Handbook sections:

In 2007 the Corporation adopted new CICA Handbook *Section 3855 - Financial Instruments – Recognition and Measurement ("*CICA 3855*")*. The Corporation also considered new Handbook *Sections 1530 – Comprehensive Income* and *3865 – Hedges*, and determined that they had no impact on the reported results or financial position in 2007.

CICA 3855 requires that transaction costs associated with the issue of debt should either be expensed as incurred, or should be deferred and offset against the carrying value of the related debt. If the costs are deferred, they should be amortized into income over the life of the related debt, using the effective interest method of amortization.

The Corporation has elected to defer and amortize transaction costs relating to debt issued in earlier years. Management has determined that the required change in amortization from straight-line to the effective interest method does not have a significant impact on the carrying value of the remaining deferred costs.

The adoption of CICA 3855 has no impact on net assets at January 1 or December 31, 2006 or on the reported results or cash flows for 2006. Debt issue costs have been offset against the related debt in the 2006 balance sheet to provide consistent presentation with the 2007 financial statements.

2. Restatement of 2006 financial statements:

As described above Enwin Utilities Ltd. and Enwin Powerlines Ltd. amalgamated January 2, 2007 to form Enwin Utilities Ltd. Until and including this date, both entities had been wholly-owned subsidiaries of Windsor Canada Utilities Ltd.

The 2006 financial statements have been restated to present the results and cash flows for the year, and the financial position at December 31, 2006, as if the amalgamation had taken place on December 31, 2005. Balances and transactions between the two predecessor entities which had previously been reported in 2006 have been eliminated in the presentation of the revised financial statements.

3. Electricity industry restructuring and regulation:

On October 30, 1998, the provincial government passed the Electricity Act and the Ontario Energy Board Act, collectively known as Bill 35, the Energy Competition Act, 1998. The Electricity Act established the framework for a competitive market for the sale of electricity in the Province of Ontario. The Ontario Energy Board Act gave the OEB the power to licence and regulate all market participants, and set transmission and distribution rates.

The electricity marketplace was deregulated on May 1, 2002 and electricity generators, electricity wholesalers and retailers began competing for customers. As mandated by the Energy Competition Act (Bill 35), a three-year phase-in (2001 to 2003) of the electricity distributors' commercial rate of return and provincial tax increases was implemented to smooth the impact on consumers of the transition of distributors from municipal electric utilities.

However, in response to volatile and rising electricity prices in 2002, the Province of Ontario enacted The Electricity Pricing, Conservation and Supply Act, 2002 (Bill 210). This new legislation, which was given Royal Assent on December 9, 2002, effectively froze distribution rates until 2007, and fixed the commodity price paid by low volume and designated customers at 4.3 cents per kilowatt-hour (kWh) retroactive to May 1, 2002.

3. Electricity industry restructuring and regulation (continued):

On December 18, 2003, Bill 210 was superseded and modified by Bill 4 when a newly elected provincial government passed the Ontario Energy Board Amendment Act (Electricity Pricing), 2003 which enabled further changes to the pricing of electricity in Ontario.

In June 2004, the provincial government introduced legislation to further restructure the electricity industry. On December 9, 2004, this new legislation, the Electricity Restructuring Act, 2004 (Bill 100) received Royal Assent. Bill 100 made amendments to the Electricity Act, and the OEB Act, 1998. The legislation deals primarily with supply and conservation, reassigns responsibilities to different entities, and lays out the roles and responsibilities for the new Ontario Power Authority (OPA). Additionally, the Independent Market Operation (IMO) was renamed the Independent Electricity System Operator (IESO) to better reflect its new role.

a) Electricity commodity pricing:

On April 1, 2004, Bill 4 removed the 4.3 cents commodity price freeze, and a two-tiered pricing regime was implemented for all customers who were eligible for the 4.3 cents commodity rate. The commodity price was fixed at 4.7 cents per kWh for the first 750 kWh of consumption per month and 5.5 cents per kWh for any incremental monthly consumption thereafter. This current two-tiered pricing regime remained in place until April 1, 2005 when the OEB instituted a regulated price plan (“RPP”).

Under RPP, the existing two-tier structure was continued. From April 1, 2005 to October 31, 2005 the threshold was 750 kWh/month. From November 1, 2005 for non-residential RPP customers the threshold continued to be 750 kWh/month, but for residential customers, the first tier began to vary seasonally. The threshold has been set at 1,000 kWh/month from November 1 to April 30 (winter), and 600 kWh/month from May 1 to October 31 (summer). RPP pricing is set by the OEB. Prices are reviewed and may change every six months based on an updated OEB forecast and any accumulated differences between the amount that consumers paid for electricity and the amount paid to generators in the previous period.

(In thousands of dollars)

3. Electricity industry restructuring and regulation (continued):

b) Recovery of regulatory assets (liabilities):

Bill 210 eliminated the ability of electricity distributors to recover a variety of costs incurred since their preparations for market opening. These costs were deemed to be "regulatory assets (liabilities)", and are reflected in the balance sheet in anticipation of their future recovery (or refund) via electricity distribution charges. Regulatory assets (liabilities) are stated after evaluation of amounts expected to be collected.

4. Capital assets:

			2007
	Cost	Accumulated amortization	Net book value
Land	$ 1,428	$ –	$ 1,428
Buildings	21,389	3,224	18,165
Transformer station	30,249	4,799	25,450
Substation equipment	2,335	959	1,376
Distribution system - overhead	64,665	20,730	43,935
Distribution system - underground	60,988	22,703	38,285
Transformers	44,851	14,906	29,945
Meters	7,675	2,811	4,864
Services	153	2	151
Office equipment	1,192	796	396
Rolling stock	2,347	2,037	310
Computer hardware and software	11,374	9,669	1,705
Other equipment	2,750	1,435	1,315
Assets under capital lease	4,277	4,257	20
Assets in progress	7,855	–	7,855
	$ 263,528	$ 88,328	$ 175,200

No amortization is taken on assets in progress until they are placed into use.

(In thousands of dollars)

4. Capital assets (continued):

		2006	
	Cost	Accumulated amortization	Net book value
Land	$ 1,518	$ –	$ 1,518
Buildings	21,269	2,794	18,475
Transformer station	30,169	3,974	26,195
Substation equipment	2,335	878	1,457
Distribution system - overhead	61,035	17,727	43,308
Distribution system - underground	60,516	19,825	40,691
Transformers	42,729	12,708	30,021
Meters	7,149	2,439	4,710
Office equipment	1,124	677	447
Rolling stock	2,588	2,283	305
Fibre optic network	15,128	5,704	9,424
Computer hardware and software	11,300	8,978	2,322
Other equipment	2,481	1,203	1,278
Assets under capital lease	4,277	4,225	52
Assets in progress	10,569	–	10,569
	$ 274,187	$ 83,415	$ 190,772

5. Regulatory assets (liabilities):

The “Electricity Pricing, Conservation and Supply Act, 2002” (Bill 210) deems certain costs and variance account balances to be accounted for as regulatory assets (liabilities) (note 1a).

The Ontario Energy Board Amendment Act, (Electricity Pricing), 2003 (Bill 4) allowed local distribution companies (“LDC’s”) to adjust their distribution rates to recover some of their regulatory assets, on an interim basis, over a four year period starting April 1, 2004.

On December 9, 2004, the OEB released its process for OEB review of the prudence of the total regulatory asset amounts claimed by electricity distributors. In 2006, the Corporation received approval for recovery of its 2004 regulatory assets/liabilities. Balances in these accounts have been updated to reflect this settlement.

(In thousands of dollars)

5. Regulatory assets (liabilities) (continued):

	2007	2006
Post-market opening retail settlement variances	$ (6,267)	$ (2,620)
Retail cost variances	193	194
Miscellaneous deferred debits	11	10
Smart Meters	(454)	(168)
Other regulatory assets	1,302	1,246
	(5,215)	(1,338)
Recovery of regulatory assets	247	1,062
Reserves	(42)	(228)
	$ (5,010)	$ (504)

6. Bank indebtedness:

The Corporation has a long-term agreement with a Canadian chartered bank for an available line of credit in the amount of $75,000. Interest charged on outstanding borrowings incurred by the Corporation is calculated at the bank's prime rate less .85% or bankers' acceptances plus 45 basis points.

The line of credit restricts the availability of the Corporation to lien assets.

7. Related party transactions:

a) Under a Management Services Agreement effective January 1, 2000, the Corporation provides certain finance, administration, human resource, management and other support services to the Commission. The total amount charged to the Commission for the year ended December 31, 2007 was $8,614 (2006 - $7,318).

b) Under a Management Services Agreement effective January 1, 2000, the Corporation provides certain finance, administration, human resource, management and other support services to Enwin Energy Ltd. The total amount charged to Enwin Energy Ltd. for the year ended December 31, 2007 was $695 (2006 - $39).

c) The Corporation provides sewer surcharge billing and collecting and street lighting maintenance for the City of Windsor for which it charges a fee. The total amount charged to the City of Windsor for the year ended December 31, 2007 was $2,778 (2006 - $2,100).

(In thousands of dollars)

7. Related party transactions (continued):

d) The Corporation collects and remits the sewer surcharge on behalf of the City of Windsor. The total amount owing to the City of Windsor at year-end relating to sewer surcharge was $4,029 (2006 - $3,064).

e) The amounts due from related party consists of:

	2007	2006
Due from Windsor Utilities Commission	$ –	$ 849

The amounts due to related parties consist of:

	2007	2006
Due to Enwin Energy Ltd.	$ 654	$ 71
Due to Windsor Utilities Commission	1,082	–
Due to Windsor Canada Utilities Ltd.	2,000	2,000
Due to the City of Windsor (net)	3,552	3,064
	$ 7,288	$ 5,135

The amount due to Windsor Canada Utilities Ltd. represents a dividend payable. Dividends declared during the year were $3,000, with $1,000 paid in the year.

The amount due to (from) the Commission bears interest at the Bank of Canada rate, while the amount due to Windsor Canada Utilities Ltd. and the City of Windsor are non-interest bearing. These amounts have no specified repayment terms.

f) On January 2, 2007, the Corporation sold the net assets of the telecommunication division to Enwin Energy Ltd., for a net purchase price of $14,810, which represented book value. The Corporation did not make a gain or loss on the sale. Consideration was received via a capital reduction from the Corporation’s parent, Windsor Canada Utilities Ltd. (note 11).

(In thousands of dollars)

8. Long-term borrowings:

	2007	2006
Debentures payable (i)	$ 50,000	$ 50,000
Promissory note payable to City of Windsor (ii)	6,330	9,233
Less unamortized debt issuance costs	(832)	(1,012)
	55,498	58,221
Less current portion due	3,074	2,903
Total long-term borrowings	$ 52,424	$ 55,318

(i) In 2002, the Corporation, along with four other Ontario local distribution companies, entered into an agreement with Electricity Distributors Finance Corporation ('EDFIN"), whereby EDFIN acquired unsecured debentures in the amount of $175,000 from the participants. The Corporation's share of these debentures amounted to $50,000. EDFIN, in turn, issued unsecured debentures for these amounts to TD Securities Inc. who sold them to external investors. The Corporation must pay semi-annual payments of interest on February 15 and August 15 in each year until and including maturity on August 15, 2012. Principal repayment is due on maturity and interest will accrue on the outstanding principal amount on the basis of a rate of 6.45% per annum.

(ii) A promissory note payable to the City of Windsor dated December 20, 2001 is unsecured, due on demand and bears interest at 6% per annum payable quarterly. The note has scheduled principal repayments and matures in 2009. The City of Windsor has agreed to not demand repayments beyond the schedule set out in the note.

Scheduled principal repayments on long-term debt are as follows:

2008	3,074
2009	3,256
2010	–
2011	–
2012	50,000
	$ 56,330

(In thousands of dollars)

9. Employee future benefits:

The Corporation pays certain health, dental and life insurance benefits on behalf of its retired employees.

The Corporation measures its accrued benefit obligation for accounting purposes as at December 31 each year. A valuation date of December 31, 2005 has been used and the results have been extrapolated to December 31, 2007.

Information about the Corporation's defined benefit plan is as follows:

		2007		2006
Change in accrued benefit obligation:				
Accrued benefit obligation, beginning of year	$	29,927	$	27,731
Current service cost		1,060		1,038
Interest cost		1,780		1,710
Amortization of actuarial loss		258		322
Settlement gain		(246)		–
Benefits paid		(1,275)		(874)
Accrued benefit obligation, end of year	$	31,504	$	29,927
Funded status:				
Unfunded benefit obligation	$	(34,321)	$	(35,551)
Unamortized net actuarial loss		2,817		5,624
Amount recognized in the balance sheet:				
Accrued benefit liability	$	(31,504)	$	(29,927)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2007	2006
Discount rate	5.35%	5%
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	6%	7%
Ultimate	4%	4%
Year of ultimate level	2010	2010

(In thousands of dollars)

9. Employee future benefits (continued):

		2007		2006
Components of net periodic benefit cost:				
Current service cost	$	1,060	$	1,038
Interest cost		1,780		1,709
Amortization of actuarial loss		258		322
Settlement gain		(246)		–
Net periodic benefit costs	$	2,852	$	3,069

10. Pension plan:

The Corporation participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan. In 2007, the contribution rates were 6.5% for employee's earnings below the year's maximum pensionable earnings and 9.6% thereafter. During 2007, the Corporation contributed $1,281 (2006 – $1,315) to the fund.

11. Share capital:

		2007		2006
Authorized:				
Unlimited common shares				
Issued:				
22,000 common shares	$	62,008	$	76,818

The MaXess Networx division was transferred effective January 2, 2007 from Enwin Utilities Ltd. to Enwin Energy Ltd. The net assets of the division were transferred in consideration for a promissory note of $14,810. This note was subsequently used in consideration for a share capital reduction by the Corporation's parent company, Windsor Canada Utilities Ltd.

(In thousands of dollars)

12. Cash flow information:

The change in non-cash working capital is as follows:

		2007		2006
Decrease (increase) in current assets:				
Accounts receivable	$	4,781	$	(4,005)
Unbilled revenue		(2,575)		4,879
Inventories		436		(274)
Prepaid expenses		1,189		(737)
		3,831		(137)
Increase (decrease) in current liabilities:				
Accounts payable and accrued liabilities		(809)		(5,061)
Payments in lieu of income taxes payable		(4)		1,760
		(813)		(3,301)
	$	3,018	$	(3,438)

Payments in lieu of income taxes and interest paid during the year amounted to $2,547 (2006 – $1,320) and $4,784 (2006 – $6,312) respectively. Total payments in lieu of taxes paid, life to date, amounted to $8,839.

(In thousands of dollars)

13. Payments in lieu of taxes:

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future tax liabilities and assets are as follows:

	2007	2006
Future tax liabilities:		
Deferred debt issuance costs	$ 221	$ 247
Total future tax liabilities	$ 221	$ 247
Future tax assets:		
Capital assets	$ 10,787	$ 10,272
Employee future benefits	2,819	2,686
Intangible assets	2,323	2,763
Other	5	21
Total future tax assets before valuation allowance	15,934	15,742
Valuation allowance for future tax assets	–	(8,722)
Total future tax assets	15,934	7,020
Net future tax assets	$ 15,713	$ 6,773

14. Liability insurance:

The Corporation is a member of the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"), a self-insurance plan that pools the liability risks of all the Municipal Electric Utilities in Ontario. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE for the years in which the Corporation was a member.

To December 31, 2007, the Corporation has not been made aware of any additional assessments.

Participation in MEARIE covers a three-year underwriting period, which expires January 1, 2010. Notice to withdraw from MEARIE must be given six months prior the commencement of the next three-year underwriting term.

(In thousands of dollars)

15. Contingencies:

The Corporation is periodically subject to lawsuits in which it is the defendant. In the opinion of management, the ultimate resolution of any current lawsuit would not have a material effect on the financial position of the Corporation.

16. Commitments:

The Corporation is committed to minimum annual lease payments under various operating leases as follows:

2008	$	866
2009		845
2010		739
2011		598
2012 and thereafter		936
	$	3,984

17. Fair value of financial instruments:

The carrying values of accounts receivable, unbilled revenue, bank indebtedness, accounts payable and accrued liabilities and the promissory note, approximate fair value due to the short maturity of these instruments.

The fair value of customer deposits, deferred revenue and amounts due to related parties is not determinable due to the uncertainty of the repayment terms and/or the revenue recognition process.

The debentures payable have a fair value of $51,300 at December 31, 2007, based on market prices for similar debt.

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2007, there were no significant concentrations of credit risk with respect to any class of financial assets.

The Corporation earns its revenue from a broad base of customers located principally in Windsor. No single customer would account for revenue or an accounts receivable balance in excess of 10% of the respective reported balances.

(In thousands of dollars)

18. Other income from operations:

		2007		2006
Change in occupancy	$	214	$	184
Late payment and collection charges		1,031		1,023
Other operating revenues		708		816
Services provided to others		–		1,036
Pole rental		444		436
Sale of scrap		397		193
Sewer surcharge billing and collecting		2,023		1,565
Finance income on lease		–		371
	$	4,817	$	5,624