

Financial Statements of

ENWIN UTILITIES LTD.

Year ended December 31, 2008



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AUDITORS' REPORT

To the Shareholder

We have audited the balance sheet of Enwin Utilities Ltd. ("the Corporation") as at December 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, resembling a flourish or a checkmark.

Chartered Accountants, Licensed Public Accountants

Windsor, Canada
February 18, 2009

ENWIN UTILITIES LTD.

Balance Sheet
(In thousands of dollars)

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Accounts receivable	\$ 17,492	\$ 17,575
Unbilled revenue	17,271	18,452
Payments in lieu of income taxes receivable	312	-
Due from related party (note 5)	403	-
Inventories	2,189	2,220
Prepaid expenses	734	246
	<u>38,401</u>	<u>38,493</u>
Property, plant and equipment (note 2)	174,098	175,200
Work in progress	139	458
Future payments in lieu of income taxes (note 11)	15,971	15,713
	<u>190,208</u>	<u>191,371</u>
	<u>\$ 228,609</u>	<u>\$ 229,864</u>

	2008	2007
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness (note 4)	\$ 8,502	\$ 14,455
Accounts payable and accrued liabilities	24,700	23,160
Due to related parties (note 5)	5,982	7,288
Payments in lieu of income taxes payable	-	1,834
Regulatory liabilities (note 3)	9,717	5,010
Deferred revenue	-	329
Current portion of customer deposits	964	813
Current portion of long-term borrowings (note 6)	3,256	3,074
	<u>53,121</u>	<u>55,963</u>
Long-term liabilities:		
Customer deposits	7,449	8,002
Vested sick leave	19	17
Long-term borrowings (note 6)	49,348	52,424
Employee future benefits (note 7)	33,161	31,504
	<u>89,977</u>	<u>91,947</u>
Shareholder's equity:		
Common shares (note 9)	62,008	62,008
Contributed capital	516	516
Retained earnings	22,987	19,430
	<u>85,511</u>	<u>81,954</u>
Contingencies and commitments (notes 12, 13 and 14)		
	<u>\$ 228,609</u>	<u>\$ 229,864</u>

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, 2008, with comparative figures for 2007

	2008	2007
Retained earnings, beginning of year	\$ 19,430	\$ 6,693
Net earnings for the year	7,557	15,737
Dividends declared	(4,000)	(3,000)
Retained earnings, end of year	\$ 22,987	\$ 19,430

See accompanying notes to financial statements.

ENWIN UTILITIES LTD.

Statement of Earnings
(In thousands of dollars)

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Customer billing for electricity and services charges	\$ 224,245	\$ 227,635
Cost of electricity purchased	179,720	184,315
	<u>44,525</u>	<u>43,320</u>
Services provided to Windsor Utilities Commission (note 5)	9,329	8,614
Services provided to Enwin Energy Ltd. (note 5)	859	695
Other income from operations (note 16)	4,684	4,817
	<u>59,397</u>	<u>57,446</u>
Operating expenses	<u>32,542</u>	<u>30,502</u>
Earnings before the undernoted items and taxes	26,855	26,944
Amortization	11,139	10,985
Gain on sale of property, plant and equipment	(172)	(299)
Interest	4,456	5,172
	<u>15,423</u>	<u>15,858</u>
Earnings before taxes	11,432	11,086
Payments in lieu of taxes (note 11):		
Current	4,133	4,289
Future	(258)	(8,940)
	<u>3,875</u>	<u>(4,651)</u>
Net earnings for the year	<u>\$ 7,557</u>	<u>\$ 15,737</u>

See accompanying notes to financial statements.

ENWIN UTILITIES LTD.

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net earnings for the year	\$ 7,557	\$ 15,737
Add items not affecting cash:		
Amortization of property, plant and equipment	11,139	10,985
Change in employee future benefits	1,657	1,577
Gain on sale of property, plant and equipment	(172)	(299)
Future payments in lieu of income taxes	(258)	(8,940)
Change in work in progress	319	(275)
Change in customer deposits	(402)	3,027
Change in vested sick leave	2	(45)
Change in deferred revenue	(329)	(1,989)
Amortization of deferred debt issuance costs	180	180
Change in non-cash working capital (note 10)	201	3,018
	<u>19,894</u>	<u>22,976</u>
Financing:		
Decrease in bank indebtedness	(5,953)	(15,657)
Increase in regulatory liabilities	4,707	4,506
Repayment of long-term borrowings	(3,074)	(2,903)
Due to related parties, net	(709)	3,002
Dividends paid	(5,000)	(3,000)
	<u>(10,029)</u>	<u>(14,052)</u>
Investments:		
Maturity of term deposit	-	1,000
Acquisition of property, plant and equipment	(10,038)	(10,307)
Proceeds on sale of property, plant and equipment	173	383
	<u>(9,865)</u>	<u>(8,924)</u>
Decrease in cash during the year	-	-
Cash, beginning of year	-	-
<u>Cash, end of year</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ENWIN UTILITIES LTD.

Notes to Financial Statements
(In thousands of dollars)

Year ended December 31, 2008

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 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.

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:

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 3). The nature of the settlement variances are such that their balance shall change each reporting period-end date.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

1. Significant accounting policies (continued):

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) Property, plant and equipment:

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 the 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
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.

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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

1. Significant accounting policies (continued):

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 unit credit 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 obligations at the beginning of the year is amortized on a straight-line basis over the average remaining service period of the employees, which is eleven and one-half years at December 31, 2008 (2007 – eight years). Settlement gains or losses are recognized 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 certain school boards. The fund is a contributory defined benefit pension plan.

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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

1. Significant accounting policies (continued):

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) Debt issuance costs:

Debt issuance costs comprise of expenses relating to issuing long-term borrowings. Such costs are offset against the related debt, and are amortized into income over the life of the related debt.

l) 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 Canada Utilities Ltd., Windsor Utilities Commission and the Corporation of the City of Windsor.

m) 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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

1. Significant accounting policies (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.

n) Long-lived assets:

Long-lived assets, including property, plant and equipment, 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.

o) 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 accounts subject to such estimates and assumptions include the carrying value of property, plant and equipment, employee future benefits, regulatory liabilities and valuation allowances for accounts receivable and inventories. Due to these uncertainties, actual results reported in future periods may differ from those estimates.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

1. Significant accounting policies (continued):

p) Adoption of new CICA Handbook sections:

Effective January 1, 2008, the Corporation adopted the recommendations of CICA 1535: Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 17.

The Corporation has elected to defer the adoption of CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation until January 1, 2009 in accordance with the guidelines for rate-regulated entities. In place of these sections the Corporation is continuing to apply CICA 3861: Financial Instruments – Disclosure and Presentation which was adopted effective January 1, 2007.

2. Property, plant and equipment:

			2008
	Cost	Accumulated amortization	Net book value
Land	\$ 1,426	\$ –	\$ 1,426
Buildings	21,403	3,676	17,727
Transformer station	30,251	5,623	24,628
Substation equipment	2,335	1,040	1,295
Distribution system - overhead	72,738	23,902	48,836
Distribution system - underground	61,706	25,591	36,115
Transformers	47,371	17,174	30,197
Meters	8,090	3,191	4,899
Services	819	17	802
Office equipment	1,344	925	419
Rolling stock	2,909	1,989	920
Computer hardware and software	11,999	10,224	1,775
Other equipment	3,007	1,685	1,322
Assets under capital lease	4,360	4,294	66
Assets in progress	3,671	–	3,671
	\$ 273,429	\$ 99,331	\$ 174,098

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

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

2. Property, plant and equipment (continued):

	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
	<u>\$ 263,528</u>	<u>\$ 88,328</u>	<u>\$ 175,200</u>

3. 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).

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

3. Regulatory assets (liabilities) (continued):

	2008	2007
Post-market opening retail settlement variances	\$ (10,719)	\$ (6,267)
Retail cost variances	192	192
Miscellaneous deferred debits	11	11
Smart Meters	(746)	(454)
Other regulatory assets	1,349	1,302
	(9,913)	(5,215)
Recovery of regulatory assets	(420)	247
Reserves	616	(42)
	\$ (9,717)	\$ (5,010)

4. 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.

Subsequent to the year end, the Corporation has entered into a new credit agreement effective February 11, 2009. The line of credit available will continue to be \$75,000 but the interest charged will be at the bank's prime rate plus 10 basis points or banker's acceptances plus 135 basis points.

5. Related party transactions:

- a) Under a Management Services Agreement effective January 1, 2007, 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, 2008 was \$9,329 (2007 - \$8,614).
- 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, 2008 was \$859 (2007 - \$695).

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

5. Related party transactions (continued):

- c) The Corporation provides sewer surcharge billing and collecting 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, 2008 was \$2,967 (2007 - \$2,778).
- 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 \$4,580 (2007 - \$4,029).
- e) The amounts due from related party consists of:

	2008	2007
Due from Windsor Utilities Commission	\$ 403	\$ —

The amounts due to related parties consist of:

	2008	2007
Due to Enwin Energy Ltd.	\$ 294	\$ 654
Due to Windsor Utilities Commission	—	1,082
Due to Windsor Canada Utilities Ltd.	1,000	2,000
Due to the City of Windsor (net)	4,688	3,552
	\$ 5,982	\$ 7,288

The amount due to Windsor Canada Utilities Ltd. represents a dividend payable. Dividends declared during the year were \$4,000, with \$3,000 of these paid in the year, in addition to \$2,000 paid from 2007.

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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

6. Long-term borrowings:

	2008	2007
Debtures payable (i)	\$ 50,000	\$ 50,000
Promissory note payable to City of Windsor (ii)	3,256	6,330
Less unamortized debt issuance costs (note 1 (k))	(652)	(832)
	52,604	55,498
Less current portion due	3,256	3,074
Total long-term borrowings	\$ 49,348	\$ 52,424

- (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 debtures in the amount of \$175,000 from the participants. The Corporation's share of these debtures amounted to \$50,000. EDFIN, in turn, issued unsecured debtures 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.

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

2009	3,256
2010	—
2011	—
2012	50,000
	\$ 53,256

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

7. 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, 2008 has been used to calculate the current obligation.

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

	2008	2007
Change in accrued benefit obligation:		
Accrued benefit obligation, beginning of year	\$ 31,504	\$ 29,927
Current service cost	991	1,060
Interest cost	1,857	1,780
Amortization of actuarial loss and other	3	258
Settlement gain	—	(246)
Benefits paid	(1,194)	(1,275)
Accrued benefit obligation, end of year	\$ 33,161	\$ 31,504
Funded status:		
Unfunded benefit obligation	\$ (21,795)	\$ (34,321)
Unamortized net actuarial loss (gain)	(11,366)	2,817
Amount recognized in the balance sheet:		
Accrued benefit liability	\$ (33,161)	\$ (31,504)

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

	2008	2007
Discount rate	7.33%	5.35%
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	9%	6%
Ultimate	5%	4%
Year of ultimate level	2017	2010

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

7. Employee future benefits (continued):

	2008	2007
Components of net periodic benefit cost:		
Current service cost	\$ 991	\$ 1,060
Interest cost	1,857	1,780
Amortization of actuarial loss and other	3	258
Settlement gain	—	(246)
Net periodic benefit costs	\$ 2,851	\$ 2,852

8. 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 2008, the contribution rates were 6.5% for employee's earnings below the year's maximum pensionable earnings and 9.6% thereafter. During 2008, the Corporation contributed \$1,321 (2007 – \$1,281) to the fund.

9. Share capital:

	2008	2007
Authorized:		
Unlimited common shares		
Issued:		
22,000 common shares	\$ 62,008	\$ 62,008

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

10. Cash flow information:

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

	2008	2007
Decrease (increase) in current assets:		
Accounts receivable	\$ 83	\$ 4,781
Unbilled revenue	1,181	(2,575)
Inventories	31	436
Prepaid expenses	(488)	1,189
	807	3,831
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,540	(809)
Payments in lieu of income taxes payable	(2,146)	(4)
	(606)	(813)
	\$ 201	\$ 3,018

Payments in lieu of income taxes and interest paid during the year amounted to \$4,354 (2007 – \$2,547) and \$3,902 (2007 – \$4,784) respectively. Total payments in lieu of taxes paid, life to date, amounted to \$13,193.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

11. 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:

	2008	2007
Future tax liabilities:		
Deferred debt issuance costs	\$ 130	\$ 221
Total future tax liabilities	\$ 130	\$ 221
Future tax assets:		
Property, plant and equipment	\$ 10,697	\$ 10,787
Employee future benefits	3,299	2,819
Intangible assets	2,100	2,323
Other	5	5
Total future tax assets	16,101	15,934
Net future tax assets	\$ 15,971	\$ 15,713

12. 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, 2008, 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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

13. 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.

14. Commitments:

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

2009	\$	856
2010		786
2011		623
2012		489
2013 and thereafter		637
	\$	3,391

15. 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 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 \$53,577 at December 31, 2008, based on market prices for similar debt.

Financial assets held by the Corporation expose it to credit risk. As at December 31, 2008, 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.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

16. Other income from operations:

	2008	2007
Change in occupancy	\$ 208	\$ 214
Late payment and collection charges	1,038	1,031
Other operating revenues	521	708
Pole rental	441	444
Sale of scrap	440	397
Sewer surcharge billing and collecting	1,914	2,023
Scientific research and experimental development recovery	122	—
	<u>\$ 4,684</u>	<u>\$ 4,817</u>

17. Capital management:

In managing capital, the Corporation focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the monitoring of cash flows and actual operating results. As at December 31, 2008, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

18. Future accounting changes:

Payments in lieu of taxes

Effective for the Corporation's year ending December 31, 2009, the CICA has issued revision number 47 which amends the accounting standards for income taxes for rate-regulated entities.

The amendment will require such entities to recognize as assets or liabilities, recoveries or reductions of payments in lieu of taxes ("PILs") that are approved to be included in future tax rates and recovered from or returned to future customers, as well as the related future PIL as liabilities or assets on the expected PIL recoveries or returns

The transitional provision of this accounting policy change states that a retroactive adjustment be recorded through opening retained earnings without restatement of prior year's comparative figures.

ENWIN UTILITIES LTD.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2008

18. Future accounting changes (continued):

Financial Instruments – Disclosure and Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These sections become effective January 1, 2009 for rate-regulated entities and will require expanded disclosure in the notes to the financial statements.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation in the current year.