Consolidated Financial Statements of

ENERSOURCE CORPORATION

Years ended December 31, 2009 and 2008

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Enersource Corporation as at December 31, 2009 and 2008 and the consolidated statements of income and comprehensive income, retained earnings and cash flows for the years 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 audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 12, 2010

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ENERSOURCE CORPORATION

Consolidated Balance Sheets
(In thousands of dollars)

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 33,761	$ 76,105
Accounts receivable (note 15(b))	59,405	58,574
Unbilled revenue	50,568	53,816
Income taxes receivable	535	–
Inventory (note 3)	8,071	7,230
Prepaid expenses and deposits	1,931	2,596
Future income tax assets (note 5(c))	522	–
	154,793	198,321
Capital assets (note 2)	435,895	419,244
Intangible assets (note 4)	14,420	10,336
Deposits and prudentials (note 7)	20,225	20,563
Regulatory assets (note 8)	12,238	2,371
Other deferred costs (note 1(h))	4,951	3,071
Future income tax assets (note 5(c))	33,539	–
	521,268	455,585
	$ 676,061	$ 653,906
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 96,449	$ 93,159
Income taxes payable	–	2,149
Deferred revenue	46	65
Advance payments	2,071	2,844
Regulatory liability for future income tax assets (note 5(d))	252	–
Regulatory liabilities (note 8)	–	18,295
	98,818	116,512
Long-term liabilities:		
Bonds payable (note 9)	289,256	288,735
Deposits	20,225	20,363
Employee retirement and post-retirement benefits (note 10)	4,187	3,754
Regulatory liability for future income tax assets (note 5(d))	33,491	–
	347,159	312,852
Non-controlling interest (note 1(b)(ii))	–	1,135
Shareholders' equity:		
Capital stock (note 11)	175,691	175,691
Retained earnings	54,393	47,716
	230,084	223,407
Contingencies (note 13)		
Commitments (notes 7 and 14)		
	$ 676,061	$ 653,906

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Gerald Beasley" Director "Norman Loberg" Director

ENERSOURCE CORPORATION

Consolidated Statements of Income and Other Comprehensive Income
(In thousands of dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Revenue:		
Energy sales	$ 444,166	$ 548,255
Distribution	117,766	112,493
Refund of regulatory liabilities	(2,278)	(2,514)
Services	8,141	6,858
Other	9,213	5,655
	577,008	670,747
Operating expenses:		
Energy purchases	444,166	548,255
Operations, maintenance and administration	49,141	40,922
Services	7,290	5,420
Amortization of capital assets	35,101	32,292
Amortization of intangible assets	1,224	1,056
Amortization of regulatory liabilities	(2,278)	(2,514)
	534,644	625,431
Operating income	42,364	45,316
Non-operating revenue (expense):		
Interest income	815	3,600
Interest expense	(18,499)	(19,229)
Foreign exchange gain (loss)	(383)	907
	(18,067)	(14,722)
Income before the undernoted	24,297	30,594
Income taxes (note 5(b))	6,682	10,711
Income before non-controlling interest	17,615	19,883
Non-controlling interest	(51)	(661)
Net income and other comprehensive income	$ 17,564	$ 19,222

Consolidated Statements of Retained Earnings
(In thousands of dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Retained earnings, beginning of year	$ 47,716	$ 37,474
Net income and other comprehensive income	17,564	19,222
Accounting policy change (notes 1(q) and 5(a))	646	–
Dividends paid (note 11)	(11,533)	(8,980)
Retained earnings, end of year	$ 54,393	$ 47,716

See accompanying notes to consolidated financial statements.

ENERSOURCE CORPORATION

Consolidated Statements of Cash Flows
(In thousands of dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Net income	$ 17,564	$ 19,222
Items not affecting cash:		
Amortization of debt issue costs	523	179
Amortization of capital assets	35,101	32,292
Amortization of intangible assets	1,224	1,056
Amortization of regulatory liabilities	(2,278)	(2,514)
Gain on the disposal of capital assets	(170)	(145)
Employee post-retirement benefits	433	551
Future income tax expense	327	–
Non-controlling interest	51	661
	52,775	51,302
Change in non-cash operating working capital (note 12)	(15,462)	17,240
	37,313	68,542
Financing activities:		
Deposits	(138)	(1,386)
Dividends paid	(11,533)	(8,980)
Non-controlling interest	(1,186)	–
	(12,857)	(10,366)
Investing activities:		
Deposits and prudentials	338	1,386
Additions to capital assets	(51,185)	(41,568)
Additions to intangible assets	(5,904)	(5,639)
Other deferred costs	(1,880)	(1,258)
Proceeds on the disposal of capital assets	329	297
Decrease (increase) in regulatory assets	(8,498)	7,612
	(66,800)	(39,170)
Increase (decrease) in cash and cash equivalents	(42,344)	19,006
Cash and cash equivalents, beginning of year	76,105	57,099
Cash and cash equivalents, end of year	$ 33,761	$ 76,105
Supplemental cash flow information:		
Interest received	$ 951	$ 3,809
Interest paid	18,241	18,241
Income taxes paid	11,830	13,399

See accompanying notes to consolidated financial statements.

Enersource Corporation (the "Corporation"), incorporated under the Ontario Business Corporations Act, was formed to conduct electricity distribution and non-regulated utility service ventures. The Corporation is owned 90% by the City of Mississauga (the "City") and 10% by BPC Energy Corporation ("BPC"), a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS").

1. Significant accounting policies:

(a) Basis of presentation:

The accompanying annual consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries: Enersource Hydro Mississauga Inc. ("Enersource Hydro"), Enersource Services Inc., Enersource Telecom Inc. ("Telecom"), Enersource Technologies Inc. and Enersource Hydro Mississauga Services Inc. The consolidated financial statements also include the accounts of First Source Energy Corporation ("First Source"), a subsidiary in which the Corporation had a 57.7% ownership interest. Intercompany balances and transactions have been eliminated.

(b) Nature of operations:

Through its subsidiary, Enersource Hydro, the Corporation provides electricity distribution services to businesses and residences in the service area of Mississauga, Ontario.

Enersource Services Inc. is the parent company for the Corporation's non-regulated businesses, which include Telecom, Enersource Hydro Mississauga Services Inc. and First Source.

(i) Enersource Hydro Mississauga Services Inc. provides utility services, including electricity distribution infrastructure design, construction and operations and streetlight construction and maintenance services to customers in Ontario. Enersource Hydro Mississauga Services Inc. is also the 100% owner of Enersource Technologies Inc.

(ii) First Source provided energy retailing services until May 2003 at which point, its retail customer contracts were sold to Ontario Energy Savings Corporation ("OESC"). In October 2009, the Corporation commenced the dissolution of First Source and distributed all of its remaining assets to its shareholders.

1. Significant accounting policies (continued):

(c) Rate setting:

Enersource Hydro is regulated by the Ontario Energy Board ("OEB") under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs, revenue, losses or gains in the rates of a specified period, resulting in the change in the timing of accounting recognition from that which would be applied in an unregulated company. Specifically, the following accounting treatments have been applied:

(i) The Corporation capitalizes interest monthly based on an approved OEB allowance for the cost of funds used during construction and development.

(ii) The Corporation records future income tax assets and a corresponding regulatory tax liability for its regulated business activities to the extent that it is expected that the recovery or realization of these amounts will be included in future distribution rates.

(iii) The Corporation has deferred certain cost of power and retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

(iv) The Corporation has deferred all revenue and associated costs not included in Enersource Hydro's smart meter revenue requirement, as directed by the OEB.

(v) The Corporation has deferred costs related to the implementation of International Financial Reporting Standards ("IFRS") and associated costs relating to compliance with Environment Canada's new polychlorinated biphenyls ("PCB") regulations.

The OEB has the power to establish electricity prices under a regulated price plan ("RPP") for low volume consumers and designated consumers who do not choose an electricity retailer. The OEB may adjust the electricity commodity prices charged to these RPP consumers every six months as required.

(In thousands of dollars)

1. Significant accounting policies (continued):

Regulated Price Plan:

	January 2008 - April 2008	May 2008 - October 2008	November 2008 - April 2009	May 2009 - October 2009	November 2009 - December 2009
Residential consumption threshold	1,000 kWh	600 kWh	1,000 kWh	600 kWh	1,000 kWh
Non-residential consumption threshold	750 kWh	750 kWh	750 kWh	750 kWh	750 kWh
Price below threshold	$.050/kWh	$.050/kWh	$.056/kWh	$.057/kWh	$.058/kWh
Price above threshold	$.059/kWh	$.059/kWh	$.065/kWh	$.066/kWh	$.067/kWh

Enersource Hydro submitted a rate re-basing application to the OEB on August 23, 2007 for the rate period beginning on May 1, 2008 through April 30, 2009. A settlement negotiated with intervenors was accepted by the OEB on January 4, 2008. On April 18, 2008, the OEB released its final decision and order on this rate application. Enersource Hydro implemented this distribution rate decision, along with OEB-approved changes to the recovery of regulatory assets and refund of regulatory liabilities on May 1, 2008.

In November 2008, Enersource Hydro submitted a formula based rate application to the OEB for the rate period May 1, 2009 through April 30, 2010. On March 16, 2009, the OEB released its decision and order on this rate application. Enersource Hydro implemented this distribution rate decision, along with OEB-approved changes to electricity commodity prices May 1, 2009.

(d) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

(e) Revenue recognition:

Distribution revenue attributable to the delivery of electricity is based upon OEB-approved distribution rates and charges that is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue that represents electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.

1. Significant accounting policies (continued):

Service and other revenue is recognized as services are rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

(f) Measurement uncertainty:

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 revenue and expenses during the years. Accounts receivable is reported based on amounts expected to be recovered less an appropriate allowance for unrecoverable amounts based on prior experience. Unbilled revenue and regulatory assets are reported based on amounts expected to be recovered. Inventory is recorded net of a provision for obsolescence. Amounts recorded for amortization of capital assets are based on estimates of useful life.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these consolidated financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy and Infrastructure.

(g) Inventory:

Inventory consists primarily of parts and supplies acquired for internal construction, consumption or recoverable work. The Corporation accounts for major spare parts and standby equipment as capital assets.

Inventory is carried at the lower of cost and net realizable value, with cost determined on a weighted average cost basis net of a provision for obsolescence.

(h) Capital assets:

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, overheads and an allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers.

(In thousands of dollars)

1. Significant accounting policies (continued):

When assets are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as overhead and underground distribution systems, is removed from the accounts at the end of their estimated service lives.

In the event that facts and circumstances indicate that capital assets may be impaired, an evaluation of recoverability is performed. For purposes of such an evaluation, the estimated future undiscounted cash flows associated with the asset are compared to the carrying amount of the asset to determine if a write-down is required. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

Buildings and other fixtures	20 - 60 years
Distribution station equipment	15 - 40 years
Overhead and underground distribution system	15 - 55 years
Equipment and furniture	2 - 10 years

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

An allowance for the cost of funds used during the construction period has been applied and capitalized as a component of cost of capital assets. The prescribed interest rate used during the period equalled the average weighted bond yield of the DEX Mid Term Corporate Bond Index (formally known as Scotia Capital Inc. Bond Index), as published on the OEB website, updated quarterly. The prescribed interest rate for the construction work in process accounts is as follows:

	January 2008 - June 2008	July 2008 - December 2008	January 2009 - June 2009	July 2009 - September 2009	October 2009 - December 2009
Allowance rate	5.18%	5.43%	6.61%	5.67%	4.66%

1. Significant accounting policies (continued):

(i) Intangible assets:

Intangible assets are recorded at cost and include expenditures associated with the initial acquisition or development, which are directly attributable to the acquisition, production and preparation of the asset for its intended use. Intangible assets are assets that lack physical substance, other than financial assets.

Amortization of intangible asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

Computer software	2 - 10 years

The Corporation evaluates intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. For purposes of such an evaluation, the fair value estimate is compared to the carrying amount of the asset to determine if a write-down is required. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

(j) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, the Corporation's deferred debt issuance costs, net of accumulated amortization, is included in the carrying amount of bonds payable. The bonds are accreted back to their face amount using the effective interest rate method over the remaining period to maturity.

(k) Deposits and prudentials:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits and prudentials, which are reported separately from the Corporation's own cash and cash equivalents. Interest rates paid on customer deposits are based on a variable rate of prime less 2.0%.

Also included in this balance are cash and securities lodged with the Corporation by counterparties under electricity supply agreements.

1. Significant accounting policies (continued):

(l) Pension and other post-employment benefits:

The Corporation accounts for its participation in OMERS, a multi-employer public sector pension fund, as a defined contribution plan and all contributions made to OMERS by the Corporation are expensed in the year.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits. Net actuarial gains or losses exceeding 10% of the accrued benefit obligation are amortized into expense on a straight-line basis over the expected average remaining service lifetime.

The Corporation presently offers a retirement and post-retirement benefit plan that consists of life, health and dental benefits to those employees who retire on or after age 55 with at least 10 years of service with a specified cost sharing formula for participation from the time of early retirement to age 65.

(m) Income taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Energy 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 Income Tax Act (Canada), the Taxation Act (Ontario), as modified by the Electricity Act, 1998, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and tax bases of the Corporation's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Corporation's income taxes payable in the year or a later period. A valuation allowance is recorded against a future income tax asset to the extent that it is more likely than not that the full asset value will not be realized in the future.

1. Significant accounting policies (continued):

(n) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the consolidated balance sheet dates. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in income.

(o) Financial instruments:

Financial assets, financial liabilities and non-financial derivatives are recorded on the consolidated balance sheets at their fair value or with cost-based measures under different circumstances. Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Corporation designates its cash and cash equivalents and deposits and prudentials as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Advance payments and deposits are classified as held-for-trading, which are measured at fair value. Bonds payable are classified as other financial liabilities and measured at amortized cost. The transaction costs are added to the carrying value of the bonds and amortized over the expected life using the effective interest rate method.

1. Significant accounting policies (continued):

(p) Capital disclosures:

The Corporation's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns to its shareholders.

Effective May 1, 2008, Enersource Hydro was deemed by the OEB for rate setting purposes to have a capital structure that was funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB uses this deemed structure as a basis of how capital is funded for rate setting purposes only. The actual capital structure for Enersource Hydro may differ from the OEB deemed structure.

(q) Changes in accounting policies:

(i) Credit risk and the fair value of financial assets and financial liabilities:

In January 2009, the CICA issued Emerging Issues Committee, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"), which clarifies that the credit risk of counterparties should be taken into account in determining the fair value of derivative instruments. EIC-173 is to be applied retrospectively without restatements of prior years to all financial assets and liabilities measured at fair value in interim and annual statements for years ending on or after the date of issuance of this abstract. This change did not have an impact on results of operations.

(ii) Business Combinations and Consolidated Financial Statements:

In January 2009, the CICA issued Section 1582, Business Combinations ("Section 1582"), which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Handbook Section 1601 ("Section 1601"), Consolidated Financial Statements, and Section 1602, Non-Controlling Interests ("Section 1602"), which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These changes did not have an impact on the results of operations.

1. Significant accounting policies (continued):

(iii) Future tax assets and liabilities:

Effective January 1, 2009, the Corporation adopted CICA Handbook Section 3465, Income Taxes ("Section 3865") which required Enersource Hydro to record income taxes using the asset and liability method. Under this method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from settlement or recovery of assets and liabilities at their carrying values. The adoption of this section required Enersource Hydro to recognize future income tax liabilities and assets as well as a regulatory asset or liability for future income taxes expected to be recovered from or refunded to customers through future distribution rates.

The consolidated financial statements were adjusted retrospectively without restatement. The adoption of this accounting policy change resulted in an increase to retained earnings of $646.

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. Changes in future income taxes related to a change in tax rates are recognized in income in the years in which the tax change was enacted or substantively enacted.

Future income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings.

(r) Future accounting changes:

Transition to IFRS:

The Accounting Standards Board ("AcSB") has adopted a new strategic plan that will have Canadian GAAP converge with IFRS, effective January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of the amounts reported by the Corporation for its year ended December 31, 2010, and the opening consolidated balance sheet as at January 1, 2010. The Corporation is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on the future financial position and results of operations is not reasonably determinable or estimable.

(In thousands of dollars)

2. Capital assets:

2009	Cost	Accumulated amortization	Net book value
Land	$ 4,071	$ –	$ 4,071
Buildings	17,112	5,743	11,369
Distribution station equipment	92,299	35,473	56,826
Overhead and underground distribution system	682,983	339,850	343,133
Equipment and furniture	32,155	16,428	15,727
Construction in progress:			
Electric distribution system	4,769	–	4,769
	$ 833,389	$ 397,494	$ 435,895

2008	Cost	Accumulated amortization	Net book value
Land	$ 4,071	$ –	$ 4,071
Buildings	16,614	5,381	11,233
Distribution station equipment	84,686	34,687	49,999
Overhead and underground distribution system	651,143	317,523	333,620
Equipment and furniture	28,441	15,446	12,995
Construction in progress:			
Electric distribution system	5,786	–	5,786
Computer hardware	1,540	–	1,540
	$ 792,281	$ 373,037	$ 419,244

During the year, $1,031 (2008 - $766), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

3. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during 2009 was $2,202 (2008 - $1,526). The amount of inventory that was written down due to obsolescence was $18 (2008 - $31).

(In thousands of dollars)

4. Intangible assets:

2009	Cost	Accumulated amortization	Net book value
Computer software	$ 16,471	$ 2,596	$ 13,875
Software in development	545	–	545
	$ 17,016	$ 2,596	$ 14,420

2008	Cost	Accumulated amortization	Net book value
Computer software	$ 3,562	$ 1,484	$ 2,078
Software in development	8,258	–	8,258
	$ 11,820	$ 1,484	$ 10,336

5. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

	2009	2008
Federal and Ontario statutory income tax rate	33.0%	33.5%
Income before provision for income taxes	$ 24,297	$ 30,594
Non-controlling interest	(51)	(661)
	$ 24,246	$ 29,933
Provision for income taxes at statutory rate	$ 8,001	$ 10,028
Increase (decrease) resulting from:		
Amortization less than capital cost allowance	(1,554)	(3)
Tax effect of non-capital losses for which no benefit has been recorded	123	(441)
Other timing differences between accounting net income and net income for tax purposes	112	1,127
Provision for income taxes	$ 6,682	$ 10,711
Effective income tax rate	27.6%	35.8%

(In thousands of dollars)

5. Income taxes (continued):

Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The impact of the retrospective adjustment and significant components of the Corporation's future tax assets, liabilities, expense and retained earnings are as follows:

(a) Future income tax changes in the consolidated statements of retained earnings:

	January 1, 2009
Regulatory assets and liabilities	$ 214
Unrealized gain on foreign exchange	357
Other	75
	$ 646

(b) Components of provision for income taxes:

Current income tax expense	$ 6,355
Future income tax expense	327
	$ 6,682

(c) Significant components of future income tax assets on the 2009 consolidated balance sheet is as follows:

Capital and intangible assets	$ 24,560
Regulatory liability for future income taxes	8,236
Regulatory assets and liabilities	259
Retirement benefit liability	1,047
Other temporary differences	(41)
	$ 34,061

(In thousands of dollars)

5. Income taxes (continued):

The future tax asset is presented on the 2009 consolidated balance sheet as follows:

Future income tax assets, current	$ 522
Future income tax assets, non-current	33,539
	$ 34,061

(d) Management expects that $25,507 of the future income tax assets will be included in the future rates charged to customers and accordingly has recorded a corresponding regulatory liability. The regulatory liability will itself result in an additional future income tax asset of $8,236. Accordingly, $33,743 has been recorded as a regulatory liability for future income taxes.

The regulatory liability for future income tax assets is presented on the 2009 consolidated balance sheet as follows:

Regulatory liability for future income taxes, current	$ 252
Regulatory liability for future income taxes, non-current	33,491
	$ 33,743

At December 31, 2009, certain other subsidiaries have estimated non-capital loss carryforwards totalling $6,139 (2008 - $7,201) available, which will expire after tax years ending between 2010 and 2029. The potential benefit relating to these amounts has not been recorded given the uncertainty as to their realization.

6. Capital asset purchase commitments and additions:

Capital asset purchase commitments outstanding as at December 31, 2009 total $7,019 (2008 - $11,028).

(In thousands of dollars)

7. Deposits and prudentials:

The following outlines the deposits and prudentials of the Corporation, posted as security. The amounts are comprised of cash and cash equivalents in the form of deposits and letters of credit/letters of guarantee, under which the Corporation is contingently liable.

	2009		2008	
	Cash and cash equivalents	Letters of credit/ letters of guarantee	Cash and cash equivalents	Letters of credit/ letters of guarantee
Customer deposits	$ 20,225	$ –	$ 20,363	$ –
Security with IESO	–	9,344	–	9,344
Security with the City of Brampton	–	4,991	–	5,255
Peel District School Board	–	–	200	–
	$ 20,225	$ 14,335	$ 20,563	$ 14,599

Security deposits:

(a) Customer deposits:

The Corporation collects cash and cash equivalents as deposits from certain customers to reduce credit risk.

Contingent obligations:

(b) Security with the Independent Electricity System Operator:

Purchasers of electricity in Ontario through the Independent Electricity System Operator ("IESO") are required to post security to mitigate the risk of their default on their expected activity in the market.

At December 31, 2009, the Corporation has posted letters of credit as security in the amount of $9,344 (2008 - $9,344).

7. Deposits and prudentials (continued):

(c) Security with the City of Brampton:

The Corporation has posted letters of credit relating to streetlighting contracts with the City of Brampton. At December 31, 2009, the Corporation has posted letters of credit as security in the amount of $4,991 (2008 - $5,255).

(d) Other deposits:

At December 31, 2009, the Corporation held a deposit of nil (2008 - $200) in respect of an energy savings guarantee with the Peel District School Board.

8. Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future distribution rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

With the adoption of Section 3465, Enersource Hydro was also required to record a regulatory liability relating to the amount of future tax assets that are expected to be recovered or refunded through distribution rates.

Regulatory balances are comprised principally as follows:

(i) Post-market opening retail settlement variances are caused by the difference between the actual price of the electricity commodity throughput and the prices set by the OEB. Specifically, these amounts include variances between the amounts charged by Hydro One and the IESO for the operation of the electricity markets and grid, as well as various wholesale market settlement charges and transmission charges as compared to the amount billed to consumers based on the OEB-approved rates.

(ii) Unrecognized revenue and costs associated with the smart meter program, and costs relating to stranded conventional meters have been deferred and will continue to do so until directed by the OEB.

(In thousands of dollars)

8. Regulatory assets and liabilities (continued):

The following table demonstrates the impact on 2009 earnings net of income taxes as a result of regulated accounting requirements. Explanatory notes follow the table below.

	2009	2008	Estimated remaining settlement period (years)	2009 impact on earnings net of income taxes ((a)(i))
Regulatory assets:				
Other regulatory assets ((a)(iii))	$ 1,585	$ –	2	$ (1,585)
Smart meter revenue/expense ((a)(ii))	6,380	2,371	2	(2,012)
	$ 7,965	$ 2,371		$ (3,597)
Regulatory liabilities (assets):				
Other regulatory liabilities ((a)(iii))	$ –	$ 540		$ –
Net regulatory liabilities approved for refund ((a)(iv))	305	2,563	1 - 2	305
Retail settlement variances ((a)(v))	32,520	22,519	1 - 2	289
Global Adjustment retail settlement variance ((a)(vi))	(37,098)	(7,327)	1 - 2	(208)
	$ (4,273)	$ 18,295		$ 386
Regulatory liability for future income tax assets ((a)(vii))	$ 33,743	$ –	–	$ –

(a) Explanatory notes:

(i) The 2009 impact on earnings net of income taxes represents the effect on the net income as a result of the treatment under rate regulated accounting.

(ii) On June 13, 2006, the OEB issued an update to the Accounting Procedures Handbook regarding the accounting treatment for smart meter expenditures. On December 8, 2008, the OEB issued its decision approving the recognition of smart meter revenue and costs as at December 31, 2007. On October 1, 2009, the OEB issued a decision approving the on-going accounting recognition of investments in smart meters. Based on this decision, the Corporation has recognized revenue and costs for smart meter investments to December 31, 2009. This amount reflects the deferred revenue and associated costs not included in Enersource Hydro's smart meter revenue requirement.

8. Regulatory assets and liabilities (continued):

(iii) The OEB requires that Enersource Hydro record and defer the difference between revenue and costs associated with providing retailers with customer settlement services as retail cost variance account deferrals. The OEB has approved deferral accounts to record incremental costs associated with the implementation of IFRS, and any incremental expenses needed to comply with Environment Canada's new regulations associated with PCBs. The remaining balance reflects the difference between tax rates used for rate setting and the corporate tax rates applied.

(iv) The OEB-approved net refund of $7,021 regulatory liabilities plus interest amount was refunded to customers from May 1, 2008 through April 30, 2009, as per the April 18, 2008 distribution rate decision. This amount reflects the undistributed liability which will be refunded to customers in a future period.

(v) The OEB requires Enersource Hydro to record and defer the difference between energy charged to its customers and the actual cost of power incurred and paid to the IESO and to Hydro One. The retail settlement variance reflects this difference since January 1, 2007 plus interest charged at an OEB approved rate.

(vi) The Global Adjustment amount is the difference between market prices and rates paid to regulated and contracted generators which are set by the IESO. This adjustment may be positive or negative. The Global Adjustment retail settlement variance captures the unpaid or recoverable amounts due to or recoverable from Enersource Hydro's customers.

(vii) This amount represents the regulatory liability for future income taxes expected to be refunded to customers through future distribution rates.

The Corporation has accrued interest on the deferral account balances for the regulatory assets and retail settlement variances, as directed by the OEB. As at December 31, 2009, this net accrued interest amounted to $105 (2008 - $864).

8. Regulatory assets and liabilities (continued):

(b) Financial statement effects of rate regulation:

(i) General information regarding rate regulation and its economic effects:

The operations of the Corporation's subsidiary, Enersource Hydro, are regulated by the OEB. The OEB exercises statutory authority over matters such as distribution asset construction, rates and underlying accounting practices, and rate setting issues with Enersource Hydro's customers.

(ii) Regulatory risk and uncertainties affecting recovery or settlement:

The regulatory assets and liabilities recorded in the consolidated financial statements are based upon an expectation of the future actions of the OEB. To the extent that the OEB's future actions are different from Enersource Hydro's expectations, the timing and amount of recovery or settlement of amounts recorded on the consolidated balance sheets could be significantly different from the timing and amounts that are eventually recovered or settled.

(iii) Financial statement effects:

In order to recognize the economic effects of the actions or expected actions of the regulator, the timing of recognition of certain revenue and expenses in these operations may differ from that otherwise expected under GAAP for non rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through the rate setting process. In the absence of rate regulated accounting, GAAP would not permit deferral of regulatory assets and, therefore, the earnings impact would be recorded in the period of recovery.

Regulatory liabilities represent amounts that are expected to be refunded to customers as a result of the rate-setting process. The GAAP treatment of regulatory liabilities and the resulting earnings impact is the same as that under rate regulated accounting because the liabilities represent contractual obligations.

(In thousands of dollars)

9. Bonds payable:

	2009	2008
6.29% Borealis-Enersource Series Bonds, Tranche 1, due May 3, 2011	$ 290,000	$ 290,000
Deferred debt issue costs (net of accumulated amortization of $3,592 (2008 - $3,071))	(744)	(1,265)
Net bonds payable	$ 289,256	$ 288,735

The Borealis-Enersource Series Bonds are secured by a credit agreement between the Corporation and Borealis Infrastructure Trust. The credit agreement provides for a first ranking charge on collateral comprised of the Corporation's assets. Interest expense for the year ended December 31, 2009 included $18,241 (2008 - $18,241) in respect of interest on long-term debt and amortization of debt issue costs in the amount of $523 (2008 - $179).

The Corporation has the following material covenants associated with its long-term debt:

(a) The consolidated financial statements must be audited, comply with GAAP and be filed directly on the System for Electronic Document Analysis and Retrieval ("SEDAR").

(b) The Corporation shall make all payments of principal, interest and, as applicable, premiums in favour of Borealis Infrastructure Trust.

(c) The Corporation shall not issue, incur or become liable for obligations that exceed 75% of the total consolidated capitalization or provide another security interest upon the same assets as the debt.

(d) The Corporation shall not directly or indirectly invest in energy retailing unless at the time and after giving effect to the proposed investment:

  (i) No default or event of default shall have occurred and be continuing, or shall occur; and

  (ii) The aggregate amount of all such investments made shall not exceed the greater of (i) $20,000 and (ii) 5% of consolidated net worth.

The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term debt.

(In thousands of dollars)

10. Employee retirement and post-retirement benefits:

(a) Pensions:

During fiscal 2009, the Corporation expensed contributions made to OMERS of $2,322 (2008 - $2,228).

(b) Other retirement and post-retirement benefits:

The amounts presented are based upon an actuarial valuation performed in February 2010 as of December 31, 2009. The next valuation will be performed for the year ending December 31, 2012.

Retirement and post-retirement life, health and dental benefits plan:

(i) Post-employment benefits obligation:

	2009	2008
Change in benefit obligations:		
Accrued benefit obligation, beginning of year	$ 3,797	$ 4,683
Current service cost	167	226
Amortization of transition obligation	167	167
Interest cost	287	243
Benefits paid	(86)	(85)
Transition obligation	(167)	(167)
Amortization of actuarial gain	(102)	–
Net actuarial loss (gain)	496	(1,270)
Post-employment benefits obligation, end of year	$ 4,559	$ 3,797

(ii) Reconciliation of retirement and post-retirement life, health and dental benefits plan:

	2009	2008
Accrued benefit, end of year	$ 4,559	$ 3,797
Unrecognized transition obligation	(832)	(999)
Unrecognized actuarial loss	460	956
Accrued benefit liability	$ 4,187	$ 3,754

(In thousands of dollars)

10. Employee retirement and post-retirement benefits (continued):

(iii) Significant assumptions:

	2009	2008
Discount rate	7.25%	5.25%
Health care cost increases	15.00%	14.00%
Dental cost increases	5.00%	5.00%
Rate of compensation increase	2.50%	2.50%

The total post-employment benefits liability for this plan at December 31, 2009 is $4,187 (2008 - $3,754). The unrecognized transition obligation relating to this plan is being amortized over the expected average remaining service lifetime on the date of transition.

The Corporation's net life, health and dental benefit expense relating to this plan is as follows:

	2009	2008
Amortization of transition obligation	$ 167	$ 167
Current service cost	167	226
Interest cost	287	243
Amortization of actuarial gain	(102)	–
	$ 519	$ 636

The December 31, 2009 actuarial valuation assumed health care costs would increase by 9% in 2010, then grading down to 5% per annum after 10 years. Dental costs were assumed to increase by 4% per annum.

A 1% increase (decrease) in the interest assumption would decrease (increase) the expected post-retirement benefit obligation, the interest cost and the service cost by approximately $320.

(In thousands of dollars)

11. Capital stock:

	2009	2008
Authorized:		
Unlimited Class A shares, voting		
1,000 Class B shares, non-voting		
100 Class C shares, voting		
Issued:		
180,555,562 Class A shares	$ 155,628	$ 155,628
1,000 Class B shares	1	1
100 Class C shares	20,062	20,062
	$ 175,691	$ 175,691

Dividends may be declared by the Board of Directors through a resolution.

In 2009, a dividend of $11,533 (2008 - $8,980) was declared and paid to the shareholders of the Corporation.

12. Change in non-cash operating working capital:

	2009	2008
Accounts receivable	$ (831)	$ (102)
Unbilled revenue	3,248	4,718
Income taxes receivable	(535)	–
Inventory	(841)	(429)
Prepaid expenses and deposits	665	(83)
Accounts payable and accrued liabilities	3,290	19,462
Accounts payable and accrued liabilities in assets	778	(2,430)
Income taxes payable	(2,149)	43
Deferred revenue	(19)	(70)
Advance payments	(773)	1,291
Regulatory liabilities	(18,295)	(5,160)
	$ (15,462)	$ 17,240

Accrued liabilities relating to additions to capital assets and intangible assets for the year ended December 31, 2009 of $5,029 (2008 - $5,807) have been excluded from the change in non-cash operating working capital and from cash used in investing activities.

13. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current liability coverage is provided to a level of $24,000 per occurrence. The Corporation has also obtained additional general liability insurance of $10,000 per occurrence through Alternative Risk Services.

Enersource Hydro has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as Enersource Hydro expects that these claims are adequately covered by its insurance.

(b) Environmental matters:

(i) The Corporation is subject to numerous environmental regulations. As part of the Corporation's risk mitigation strategy, environmental assessments and environmental remediation is underway at various identified sites. At December 31, 2008, the Corporation provided $180 for testing and future remediation. For the year ended December 31, 2009, the Corporation's total environmental expense was $673, which includes an accrual of $450 for future remediation activities.

(ii) Environment Canada has issued new regulations governing the management of PCBs. The Corporation is in the process of determining the extent and impact that the new regulations will have on the organization. On December 1, 2008, the OEB approved the Corporation's request to defer any expenses that may be incurred to comply with the new regulations for potential recovery through future rates. As at December 31, 2009, the Corporation has deferred $914 included in regulatory assets, representing costs incurred for compliance with the new regulations.

13. Contingencies (continued):

(c) Other claims:

A class action claiming $500,000 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 local distribution companies ("LDC") receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The Electricity Distributors Association ("EDA") undertook the defence of this class action.

On March 2, 2010, the EDA reached a settlement in principle of this litigation on behalf of all LDCs. This tentative settlement requires the consent and approval of all LDCs and approval of the Ontario Superior Court of Justice in order to become effective.

If the settlement becomes effective, the Corporation will be released from all claims made in the litigation. If the settlement is not approved, the litigation will continue and the Corporation will remain exposed to ongoing legal costs and to a possible judgment in the case for an amount greater than its share included in the settlement.

This potential settlement, if finalized, is not expected to have a material impact on the Corporation's results of operations.

14. Commitments:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Corporation failed to make payment required by a default notice issued by the IESO. The Corporation has posted a letter of credit as security in the amount of $9,344 (2008 - $9,344).

The Corporation has posted letters of credit in the amount of $4,991 (2008 - $5,255) relating to contracts with the City of Brampton to provide routine and emergency maintenance of streetlighting and related services. The City of Brampton could draw on this security by issuing a certificate demonstrating that the Corporation has failed to fulfill its obligations related to these contracts.

15. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, deposits and prudentials, accounts payable and accrued liabilities and advance payments approximate their fair values because of the short term to maturity of these financial instruments.

The bonds, having a carrying value of $290,000 (2008 - $290,000), have a fair value of $307,168 (2008 - $299,805), based on year-end quoted market prices.

Exposure to market risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Corporation's business.

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Corporation does not have commodity risk due to the flow through nature of commodity costs and its foreign exchange risk is not considered material since the Corporation's exposure is limited to U.S. dollar cash and cash equivalents holdings of $681 as at December 31, 2009 (2008 - $3,136).

Distribution rates and charges are currently based on a revenue requirement less other income, which includes interest income. The difference in the interest revenue reduction and the actual interest income earned by the Corporation is generally considered insignificant.

(b) Credit risk:

The Corporation manages counterparty credit risk through various techniques including, limiting total exposure levels with individual counterparties consistent with the Corporation's policies, and monitoring the financial condition of counterparties. Short-term investments held as at December 31, 2009, met the credit exposure limits specified under the Corporation's Investment Policy.

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Corporation's distribution revenue is earned on a broad base of customers principally located in Mississauga. As a result, the Corporation did not earn a significant amount of revenue from any individual customer. As at December 31, 2009, there were no significant balances of accounts receivable due from any single customer.

(In thousands of dollars)

15. Financial instruments (continued):

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

(i) There is a broad base of customers with no single customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance in either year.

(ii) Enersource Hydro as permitted by the OEB's Retail Settlement and Distribution System Code may obtain a security deposit or letter of credit from customers to mitigate risk of payment default.

(iii) The percentage of accounts receivable that is past due for more than 75 days is approximately 5.6% of the total net outstanding balance.

(iv) Enersource Hydro included an amount for accounts receivable write-offs within operations, maintenance and administration expense for rate setting purposes.

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2009	2008
Total accounts receivable	$ 60,156	$ 60,501
Less allowance for doubtful accounts	(751)	(1,927)
Total accounts receivable, net	$ 59,405	$ 58,574
Of which:		
Not yet due	$ 34,602	$ 49,215
Past due 1 day but not more than 15	16,129	4,429
Past due 15 days but not more than 45	5,366	2,441
Past due 45 days but not more than 75	750	957
Past due 75 days but not more than 105	1,022	2,308
Past due more than 105 days	2,287	1,151
Less: Allowance for doubtful accounts	(751)	(1,927)
Total accounts receivable, net	$ 59,405	$ 58,574

(In thousands of dollars)

15. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, as well as an established $50,000 banking line of credit, if required. Short-term liquidity is expected to be sufficient to fund normal operating requirements. The liquidity risks associated with financial commitments are as follows:

	Due within 1 year	Due between 1 and 5 years	Due past 5 years
Financial liabilities:			
Accounts payable and accrued liabilities	$ 96,449	$ –	$ –
Bond interest and principle payable	18,241	299,121	–
	$ 114,690	$ 299,121	$ –

The Borealis-Enersource Series Bonds mature in May, 2011 and are expected to be refinanced at that time.

(d) Interest rate risk:

The Corporation minimizes interest rate risk by issuing long-term fixed rate debt.

16. Related party transactions:

The Corporation's operations include the provision of electricity and services to its principal shareholder, the City. Electricity is billed to the City at the prices and terms established between the City and its electricity retailer. Streetlighting maintenance services are provided at prevailing market prices at an exchange amount, being that amount agreed to by the parties. A summary of amounts charged by the Corporation to the City is as follows:

	2009	2008
Electrical energy	$ 8,250	$ 7,998
Streetlighting maintenance and construction	4,797	5,124
Streetlighting energy	5,245	4,537

16. Related party transactions (continued):

At December 31, 2009, the Corporation incurred property taxes payable to the City of $800 (2008 - $791).

At December 31, 2009, accounts payable and accrued liabilities include $38 (2008 - $37) due to the City and accounts receivable include $3,236 (2008 - $2,841) due from the City.

The Corporation charged BPC $9 (2008 - $10) for an access agreement and was recorded at the exchange amount being the amount agreed to by the parties. At December 31, 2009, accounts receivable included $1 (2008 - $1) due from BPC.

Enerpower Corporation is an organization in which the Corporation has a 10% ownership interest. The Corporation was charged $11,862 (2008 - $10,968) by Enerpower Corporation during 2009 for the construction of distribution infrastructure.

The Corporation received a dividend from Enerpower Corporation during 2009 of $392 (2008 - $109). At December 31, 2009, accounts payable and accrued liabilities due to Enerpower were $1,927 (2008 - $3,167).

17. Segmented information:

The Corporation operates primarily in two operating segments, electricity distribution services and other operations. Other operations are primarily comprised of engineering design, construction and maintenance services for utilities and developers and streetlighting design and maintenance services.

(In thousands of dollars)

17. Segmented information (continued):

The designation of segments is based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies.

2009	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	$ 568,455	$ 8,827	$ (274)	$ 577,008
Operating expenses	(491,433)	(9,438)	274	(500,597)
Amortization	(33,966)	(81)	–	(34,047)
	(525,399)	(9,519)	274	(534,644)
	43,056	(692)	–	42,364
Interest income	604	211	–	815
Interest expense	(18,499)	–	–	(18,499)
Foreign exchange loss	(383)	–	–	(383)
Income (loss) before the under noted	24,778	(481)	–	24,297
Income taxes	6,251	431	–	6,682
Non-controlling interest	–	–	(51)	(51)
Net income (loss)	$ 18,527	$ (912)	$ (51)	$ 17,564
Capital expenditures	$ 56,557	$ 532	$ –	$ 57,089
Decrease in cash and cash equivalents	(41,196)	(1,148)	–	(42,344)

(In thousands of dollars)

17. Segmented information (continued):

2008	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	$ 663,957	$ 7,010	$ (220)	$ 670,747
Operating expenses	(587,896)	(6,921)	220	(594,597)
Amortization	(30,796)	(38)	–	(30,834)
	(618,692)	(6,959)	220	(625,431)
	45,265	51	–	45,316
Interest income	2,603	997	–	3,600
Interest expense	(19,229)	–	–	(19,229)
Foreign exchange gain	907	–	–	907
Income before the undernoted	29,546	1,048	–	30,594
Income taxes	11,512	(801)	–	10,711
Non-controlling interest	–	–	(661)	(661)
Net income (loss)	$ 18,034	$ 1,849	$ (661)	$ 19,222
Capital expenditures	$ 49,396	$ 241	$ –	$ 49,637
Increase in cash and cash equivalents	17,749	1,257	–	19,006

Total assets for the Corporation's two operating segments are as follows:

	2009	2008
Electricity distribution services	$ 647,657	$ 623,818
Other operations	28,404	30,088
Total assets	$ 676,061	$ 653,906

18. Energy purchases:

All electricity purchases for standard supply customers are subject to pricing determined by the IESO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2009 is $58,705 (2008 - $53,146) owed in respect of electricity purchases through the IESO.

19. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.