Financial Statements of

MIDDLESEX POWER DISTRIBUTION CORPORATION

December 31, 2005

Management's Responsibility for Financial Reporting

Middlesex Power Distribution Corporation's management is responsible for the preparation and presentation of the financial statements and all other information included in this annual report. Management is also responsible for the selection and use of accounting principles that are appropriate in the circumstances, and for the internal controls over the financial reporting process to reasonably ensure that relevant and reliable information is produced. Financial statements are not precise in nature as they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control over the financial reporting process. The Board exercises this responsibility through the Audit Committee of the Board. This committee, which is comprised of three directors of the Chatham-Kent Energy Board with one member who is also on the Middlesex Power Distribution Corporation Board, meets with management and the external auditors to ensure that management responsibilities are properly discharged and to review the financial statements and other information included in the annual report before they are presented to the Board of Directors for approval. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, has been appointed by the audit committee and engaged to examine the accompanying financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the financial statements.

Dave Kenney, President

Jim Hogan, Chief Financial & Regulatory Officer

Deloitte.

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Auditor's Report

To the Chairman and Board Members of Middlesex Power Distribution Corporation:

We have audited the balance sheet of Middlesex Power Distribution Corporation as at December 31, 2005 and the statements of loss and deficit and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

June 19, 2006

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MIDDLESEX POWER DISTRIBUTION CORPORATION
Balance Sheet
December 31, 2005

ASSETS	2005	2004
Current		
Cash	**$ 3,632,119**	$ 803,765
Accounts receivable (Note 3)	**928,286**	1,187,320
Accounts receivable – unbilled revenue	**1,680,041**	1,510,149
Inventories	**285,165**	361,747
Prepaid expenses	**55,919**	56,975
	6,581,530	3,919,956
CAPITAL ASSETS (Note 4)	**6,220,913**	7,827,686
OTHER		
Deferred assets (Note 5)	**117,092**	305,387
Computer software	**2,676**	4,436
	119,768	309,823
	$ 12,922,211	$ 12,057,465
LIABILITIES		
CURRENT		
Bank loan	**$ -**	$ 256,108
Accounts payable and accrued liabilities	**3,944,441**	2,879,462
Taxes payable	**143,629**	-
Due to Chatham-Kent Utility Services	**16,087**	-
Due to Chatham-Kent Hydro Inc.	**455,953**	-
Due to Chatham-Kent Energy Inc.	**26,797**	-
Due to the Municipality of Chatham-Kent.	**56,153**	-
Current portion of customers' deposits	**106,262**	110,000
	4,749,322	3,245,570
LONG-TERM		
Note payable (Note 6)	**4,300,000**	4,356,925
Regulatory revenue payable	**321,300**	380,600
Long-term debt	**-**	266,500
Employee future benefits (Note 7)	**37,293**	206,747
Long-term portion of customer deposits	**337,674**	266,583
	4,996,267	5,477,355
	9,745,589	8,722,925
CONTINGENCIES (Note 10)		
SHAREHOLDER'S EQUITY		
Share capital (Note 11)	**4,631,198**	4,631,198
Deficit	**(1,454,576)**	(1,296,658)
	3,176,622	3,334,540
	$ 12,922,211	$ 12,057,465

MIDDLESEX POWER DISTRIBUTION CORPORATION
Statement of Loss and Deficit
December 31, 2005

	2005	2004
SERVICE REVENUE		
Residential	**$ 5,547,091**	$ 4,907,149
General service	**6,940,626**	6,778,499
Street lighting	**129,893**	105,379
	12,617,610	11,791,027
Change in unbilled revenue	**394,844**	200,130
	13,012,454	11,991,157
Retailer energy sales	**2,750,271**	1,569,248
Total energy sales	**15,762,725**	13,560,405
COST OF POWER	**13,605,927**	11,643,832
GROSS MARGIN ON SERVICE REVENUE	**2,156,798**	1,916,573
OTHER OPERATING REVENUE	**334,185**	234,585
OPERATING INCOME	**2,490,983**	2,151,158
OPERATING AND MAINTENANCE EXPENSE		
Distribution	**685,000**	460,814
ADMINISTRATIVE EXPENSE		
Billing and collection	**557,590**	510,640
General administration	**328,644**	257,841
Loss on disposal of building	**179,826**	-
Interest	**280,819**	264,670
DEPRECIATION AND AMORTIZATION	**434,125**	494,680
	2,466,004	1,988,645
EARNINGS, BEFORE PAYMENTS IN LIEU OF TAXES	**24,979**	162,513
Payments in lieu of taxes (Note 14)	**182,897**	39,933
NET (LOSS) EARNINGS	**(157,918)**	122,580
DEFICIT, BEGINNING OF YEAR	**(1,296,658)**	(1,419,238)
DEFICIT, END OF YEAR	**$ (1,454,576)**	$ (1,296,658)

MIDDLESEX POWER DISTRIBUTION CORPORATION
Statement of Cash Flow
December 31, 2005

	2005	2004
OPERATING ACTIVITIES		
Net (loss) earnings	**$ (157,918)**	$ 122,580
Adjustments for:		
Depreciation of capital assets	**477,191**	521,939
Depreciation computer software	**1,760**	2,220
Amortization of contributed capital	**(29,238)**	(29,479)
Loss on disposal of capital assets	**179,826**	-
Employee future benefits	**(169,454)**	(8,031)
Changes in non-cash working capital items (Note 12)	**1,926,640**	37,871
Changes in long-term customer deposits	**71,091**	33,124
	2,299,898	680,224
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	**1,400,000**	-
Additions to deferred assets	**(276,994)**	26,465
Recovery of deferred assets	**465,289**	213,316
Additions to capital assets	**(421,006)**	(254,775)
Regulatory revenue repayable	**(59,300)**	380,600
	1,107,989	365,606
FINANCING ACTIVITIES		
Repayment of bank loan	**(256,108)**	(42,100)
Repayment of promissory note	**(56,925)**	-
Repayment of long-term debt	**(266,500)**	(87,125)
	(579,533)	(129,225)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2,828,354**	916,605
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**803,765**	(112,840)
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,632,119**	$ 803,765

1. NATURE OF OPERATIONS

(a) Incorporation of Middlesex Power Distribution Corporation

Middlesex Power Distribution Corporation ("the Company") was incorporated April 11, 2000 under the *Business Corporations Act (Ontario).*

The Company is a wholly owned subsidiary of Chatham-Kent Energy Inc., which purchased 100% of the outstanding shares on June 30, 2005.

The principal activity of the Company is to distribute electricity to customers within the Township of Strathroy-Caradoc and the Municipality of North Middlesex, under the license issued by the Ontario Energy Board ("OEB").

The incorporation and subsequent reorganization was required by provisions of Bill 35, *The Energy Competition Act, 1998* enacted by the Province of Ontario to introduce competition in the electricity market.

(b) Rate Regulated Entity

OEB

The Company is a regulated electricity Local Distribution Company (LDC) and has a distribution licence that is regulated by the OEB. The OEB has regulatory oversight of electricity matters in Ontario. *The Ontario Energy Board Act*, 1998 sets out the OEB's authority to issue a distribution licence which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles and filing process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility of ensuring the electricity distribution companies fulfill obligations to connect and service customers.

The Company is required to charge its customers for the following amounts (all of which, other than the distribution rates, represent a pass through of amounts payable to third parties):

- Electricity Price – The electricity price represents the commodity cost of electricity.
- Distribution Rate – The distribution rate is designed to recover the costs incurred by the Company in delivering electricity to customers and the OEB allowed rate of return.
- Retail Transmission Rate – The retail transmission rate represents the wholesale costs incurred by Company in respect of the transmission of electricity from generating stations to the local areas.
- Wholesale Market Service Charge – The wholesale market service charge represents the various wholesale market support costs.

1. NATURE OF OPERATIONS (continued)

In order to operate in the Ontario electrical industry all market participants, including the Company, are required to satisfy and maintain prudential requirements with the Independent Electricity System Operator ("IESO"), which include credit support with respect to outstanding market obligations in the form of obtaining a credit rating, letters of credit, cash deposits or guarantees from third parties with prescribed credit ratings.

Market Based Rate of Return

The OEB regulates the rates of the Company in a cost-of-service regime. A part of the cost-of-service rate setting is the market based rate of return which the OEB has approved the maximum rate to be 9.88%. The Company elected to apply for the maximum rate of return in the initial rate setting in 2001.

The initial rate setting process of 2001 required a three year phase-in of the rate change to minimize the impacts to the customers. The final implementation of the rates occurred in April 2005 for $280,000 however the Company is required to invest the same amount of funds in Conservation and Demand Management programs between May 2005 and September 2007.

The next rate rebasing is scheduled for May 2006 which will update the market based rate of return as well as set rates on the 2004 rate base.

Regulatory Assets and Liabilities

Electricity distributors are required to reflect certain prescribed costs on their balance sheet until the manner and timing of distribution is determined by the OEB. These costs are:

- transmission costs resulting from preparation to Open Access;
- settlement variances between amounts charged by the Company to customers (based on regulated rates) and corresponding cost of non-competitive electricity service incurred by it in the wholesale market administered by the IESO after May 1, 2002;
- the deferral of OEB annual cost assessments for the OEB's fiscal year 2004 and subsequent fiscal years; and
- the deferral of incremental Ontario Municipal Employees Retirement System pension expenditures for fiscal years starting after January 1, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies as set forth in the Accounting Procedures Handbook issued by the OEB under the authority of the *Ontario Energy Board Act, 1998:*

Regulation

The company is regulated by the OEB and any power rate adjustments require OEB approval.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost and replacement cost with cost being determined using the weighted average method.

Capital assets

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

Buildings and fixtures	25 – 50 years
Distribution station equipment	30 years
Distribution lines	25 years
Distribution transformers	25 years
Distribution meters	25 years
General office equipment	10 years
Computer equipment	5 years
Rolling stock	4 – 8 years
Tools	10 years
Services	25 years
Contributions in aid of construction	25 years

Computer software

Computer Software is stated at cost less accumulated depreciation. It is depreciated over 5 years on a straight-line basis.

Impairment of long-lived assets

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

Asset retirement obligations

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred assets

Deferred assets consist of qualifying capital costs and related expenditures incurred in the preparation for market opening. Deferred assets also include costs for conservation programs which meet the Minister of Energy's Directive. Recovery of the deferred assets is regulated by the OEB.

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions toward the cost of constructing Company assets. For the year ended December 31, 2005, a refund of $6,003 was made to contributed capital that had been charged to capital assets and recorded as an offset to capital assets. Amortization is on a straight-line basis over 25 years.

Customer deposits

Customer deposits are recorded when paid. Deposits earn interest at a rate of prime less 2%.

Revenue recognition and cost of power

Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and associated cost of power related to distribution are charged to deferred assets.

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter read to December 31st.

Use of estimates

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

Post employment benefits other than pension

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Payments in lieu of income taxes

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

The Company, regulated by the Ontario Energy Board, provides for payments-in-lieu of corporate income taxes using the taxes payable method instead of the liability method.

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank.

3. ACCOUNTS RECEIVABLE

	2005	2004
Electrical energy	**$ 599,740**	$ 781,543
Other	**391,657**	450,777
	991,397	1,232,320
Allowance for doubtful accounts	**(63,111)**	(45,000)
	$ 928,286	$ 1,187,320

4. CAPITAL ASSETS

	2005			2004
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Plant and distribution system:				
Land	**$ 11,982**	**$ -**	**$ 11,982**	$ 309,491
Buildings and fixtures	**91,365**	**13,219**	**78,146**	1,522,798
Distribution station equipment	**575,068**	**499,054**	**76,014**	106,873
Distribution system:				
Overhead	**5,772,039**	**2,664,909**	**3,107,130**	2,892,795
Underground	**2,807,750**	**1,391,188**	**1,416,562**	1,488,960
Transformers	**2,715,133**	**1,410,104**	**1,305,029**	1,325,271
Meters	**1,012,017**	**518,412**	**493,605**	479,832
General office equipment	**82,963**	**76,282**	**6,681**	4,593
Computer equipment	**35,917**	**26,669**	**9,248**	6,763
Rolling stock	**623,604**	**579,759**	**43,845**	59,011
Tools	**352,351**	**310,299**	**42,052**	54,981
Services	**299,326**	**37,934**	**261,392**	242,333
	14,379,515	**7,527,829**	**6,851,686**	8,493,701
Contributions in aid of construction	**(742,099)**	**(111,326)**	**(630,773)**	(666,015)
	$ 13,637,416	**$ (7,416,503)**	**$ 6,220,913**	$ 7,827,686

Depreciation and amortization in the amount of $15,588 for 2005 (2004 - $Nil) for rolling stock and computer software is included with relevant cost centres.

5. DEFERRED ASSETS

Deferred assets and liabilities arise as a result of the rate-making process. As described in this note, Middlesex Power Distribution Corporation has recorded the following regulatory assets and provision.

	2005	2004
Transition costs	**$ 199,769**	$ 199,829
Retail settlement variance accounts	**343,517**	257,628
Conservation and demand management costs	**122,937**	-
Other deferred costs	**129,474**	61,246
Gross deferred assets	**795,697**	518,703
Recoveries		
Transition / RSVA	**(469,850)**	(213,316)
Conservation and demand management	**(208,755)**	-
Net Deferred Assets	**$ 117,092**	$ 305,387

5. DEFERRED ASSETS (continued)

The introduction of Bill 210 in November 2002 has deferred future rate increases until 2006. However Bill 4 was introduced in December 2003 which allowed for the recovery of deferred assets over a four year period beginning in April 2004. Deferred asset revenue for 2005 is $256,534 (2004 - $213,316).

The Company incurred costs for conservation and demand management for 2005 of $122,937 (2004 - $Nil). These costs are required in order to obtain the rate approval that was effective May 2005. The revenue received in 2005 was $208,755 (2004 - $Nil). The Company is required to invest $280,000 by the end of September 2007.

6. LONG-TERM LOANS

(a) Note Payable

The note payable of $4,300,000 is due to Chatham-Kent Energy Inc. and was issued as part of the acquisition of the company by Chatham Kent Energy Inc. on June 30, 2005. It has no set repayment terms and interest payable monthly at 7.25 %. Interest expense on this note from July 1 to December 31, 2005 was $157,156.

(b) Note Payable

The note payable as at December 31, 2004 was due to the Township of Strathroy-Caradoc for $4,356,925 and was replaced as part of the acquisition of the company. Interest expense from January 1 to June 30, 2005 was $91,824.

(c) Debt to Strathroy-Caradoc

A loan of $179,375 owed to the Township of Strathroy-Caradoc was also replaced as part of the acquisition of the company. Interest expense from January 1 to June 30, 2005 was $7,622.

7. EMPLOYEE FUTURE BENEFITS

The company pays certain medical and life insurance benefits on behalf of its current employees. There is an accrued benefit liability at December 31, 2005 of $37,293.

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

	2005	2004
Accrued benefit liability, beginning of year	**$ 206,747**	$ 214,778
Expense for the year	**6,299**	(8,031)
Adjustment due to fewer employees	**(175,753)**	-
Estimated accrued benefit liability, end of year	**$ 37,293**	$ 206,747

7. EMPLOYEE FUTURE BENEFITS (continued)

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

General inflation

Future inflation levels, as measured by changes in the Consumers Price Index ("CPI"), were assumed to be 2.5% in 2004 and thereafter.

Interest (discount) rate

The present value as at December 31, 2005 of the future benefits, and the expense for the year was determined using a discount rate of 5.75% (2004 - 6%). This corresponds to the assumed CPI rate plus an assumed rate of return of 2.5%.

Health costs

Health costs were assumed to increase at 10% per year for 10 years, and then at the CPI rate plus 1% thereafter.

Dental costs

Dental costs were assumed to increase at the CPI rate plus 1% for 2004 and thereafter.

Salary Growth

Salary growth rate was assumed at a rate of 3.5% for 2005 and thereafter.

8. PENSION AGREEMENT

The Company provides a pension plan for its employees through the Ontario Municipal Employees' Retirement System ("OMERS'). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As there is insufficient information to apply defined benefit plan accounting, defined contribution plan accounting has been used by the Company. The Company's contribution for employees' current service in 2005 was $34,637 (2004 - $45,942).

9. RELATED PARTY TRANSACTIONS

Chatham-Kent Utility Services Inc. provided the following services in the normal course of operations to the Company:

	2005
Management, financial, regulatory and customer support	**$ 97,890**

10. CONTINGENCIES

(a) Class Action Suit

A class action claiming $500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against 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 states that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1) (b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Company, and as such no potential liability has been recognized.

(b) Letter of Credit

In order to obtain the electricity it requires to distribute to its customers, the Company was required to provide security to the Independent Electricity System Operator based on usage. The security obtained was a letter of credit from a financial institution for $1,500,000 and was not in use at December 31, 2005. The financial institution does not have any financial restrictions on the Company.

11. SHARE CAPITAL

The share capital of the Corporation consists of the following:

Authorized
- Unlimited number of Class A preference shares without par value
- Unlimited number of Class B preference shares without par value
- Unlimited number of voting common shares without par value

	2005	2004
Issued		
- 4,631,198 voting common shares	**$ 4,631,198**	$ 4,631,198

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

	2005	2004
Accounts receivable	**$ 259,034**	$ 140,247)
Accounts receivable – unbilled revenue	**(169,892)**	(228,102)
Inventories	**76,582**	(9,276)
Prepaid expenses	**1,056**	674
Due to Municipality of Chatham-Kent	**56,152**	-
Accounts payable and accrued liabilities	**1,064,979**	392,822
Taxes payable	**143,629**	-
Due to Chatham-Kent Energy Inc.	**26,798**	-
Due to Chatham-Kent Utility Services Inc.	**16,087**	-
Due to Chatham-Kent Hydro Inc.	**455,953**	-
Current portion of customer deposits	**(3,738)**	22,000
	$ 1,926,640	$ 37,871

13. FINANCIAL INSTRUMENTS

Fair value

The Company's recognized financial instruments consist of cash, accounts receivable, accounts payable, customer deposits and long-term debt. The values of cash, accounts receivable and accounts payable approximate their carrying amounts due to the short-term nature. As there is no secondary market for customer deposits, the calculation of a fair value with appropriate reliability is impractical.

It is not practical within the constraint of cost to determine the fair value of long-term liabilities with sufficient reliability.

Credit risk

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk.

14. FUTURE INCOME TAXES

If the liability method of accounting for income taxes were used, a future tax asset of $548,000 (2004 - $107,000) would be recorded.

15. COMMITMENTS

The Company has entered into letter of agreement with Chatham-Kent Utility Services Inc. to have them provide the services of certain management, human resources, financial, regulatory and customer support, rate submission support and accounting and budgeting support. The value of the agreement is $195,780 (2004 - $170,489).

The Company has entered into a Customer Agreement for the services of a data collection system, data storage and access to specific software and systems. Monthly payments of $6,000 are to be paid by the Company until June 15, 2007. Annual payments are $72,000.

The Company entered into an agreement with an unrelated party to perform meter reading and associated services on behalf of the Company for a period of three years beginning January 2003. The cost of this service to the company was $84,949. It is expected that the contract will be renewed for an additional two years.

The Company has entered into an agreement with The Township of Strathroy-Caradoc to lease a portion of the premises known as 351 Frances Street, Strathroy, Ontario for a period of 5 years effective July 1, 2005. The cost of the lease is $37,000 annually plus 60% of operating costs. The cost of this service for the six month period ending December 31, 2005 is $48,608.

The Company has entered into an agreement with The Township of Strathroy-Caradoc to provide the services of billing of water services for a period of 5 years as well as maintenance of streetlight and traffic lights for 1 year, maintenance and installation of water meters, locate services and backhoe services for 6 months. All agreements were effective July 1, 2005. Revenues received for these services for 6 months in 2005 was $167,517.

The Company has entered into a Service Level agreement with The Township of Strathroy-Caradoc to pay for shared computer and software costs and for Operations and Administrative assistance. This agreement took effect July 1, 2005 and covers a period of 1 year. The cost of this agreement for 6 months in 2005 was $50,002.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current classification. The prior year figures were audited by another accounting firm.