Consolidated Financial Statements of

VERIDIAN CORPORATION

Year ended December 31, 2005

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Veridian Corporation as at December 31, 2005 and the consolidated statements of operations and retained 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation 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.

KPMG LLP

Chartered Accountants

Toronto, Canada

March 3, 2006

VERIDIAN CORPORATION

Consolidated Balance Sheet

December 31, 2005, with comparative figures for 2004

		2005		2004
Assets				
Current assets:				
Cash and cash equivalents	$	38,569,242	$	26,830,772
Accounts receivable (note 2)		16,446,730		17,001,959
Unbilled revenue		32,831,359		23,836,596
Inventory		1,277,141		1,078,377
Amounts recoverable in lieu of corporate income taxes		1,441,903		674,444
Prepaid expenses		612,684		435,576
Regulatory assets, current (note 5)		1,102,135		851,956
		92,281,194		70,709,680
Long-term investments (note 3)		263,377		263,377
Deferred charges		99,207		155,316
Capital assets (note 4)		123,995,205		117,390,801
Intangible assets		8,923,249		3,775,889
Future income taxes		229,999		207,999
Regulatory assets (note 5)		1,609,117		1,352,314
	$	227,401,348	$	193,855,376
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	50,437,500	$	26,558,916
Current portion of long-term debt (note 8)		75,294,000		–
Advance payments - construction deposits		535,422		341,420
Regulatory liabilities, current (note 5)		2,215,829		552,033
Developer obligations		1,114,584		–
Current portion of amounts due to Hydro One Network Inc. (note 9)		432,132		274,467
		130,029,467		27,726,836
Long-term liabilities:				
Long-term debt (note 8)		–		75,294,000
Regulatory liabilities (note 5)		8,850,777		3,879,625
Amounts due to Hydro One Network Inc. (note 9)		641,898		823,401
Employee future benefits (note 10)		925,895		786,569
Customer deposits and contractor obligations		4,303,488		5,580,893
Future income taxes		800,000		985,000
		15,522,058		87,349,488
Shareholders' equity:				
Share capital (note 11)		67,285,173		67,285,173
Contributed capital		24,910		24,910
Retained earnings		14,539,740		11,468,969
		81,849,823		78,779,052
Contingencies and guarantees (note 12)				
Lease commitments (note 13)				
	$	227,401,348	$	193,855,376

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Chair, Board of Directors

Chair, Audit and Finance Committee

VERIDIAN CORPORATION
Consolidated Statement of Operations and Retained Earnings

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenue	$ 207,388,764	$ 180,210,703
Cost of power	168,860,027	147,564,153
Gross margin	38,528,737	32,646,550
Expenses:		
Operating and maintenance	4,713,827	4,322,725
Administration	10,115,542	10,479,284
Interest on long-term debt (note 8)	6,139,644	5,651,580
Amortization	9,789,754	9,456,496
Equity interest in loss of First Source Energy Corporation	–	104,482
	30,758,767	30,014,567
Operating income before undernoted	7,769,970	2,631,983
Other income (note 14)	4,894,868	5,460,962
Income before income taxes	12,664,838	8,092,945
Payments in lieu of corporate income taxes	4,794,067	3,551,499
Net income	7,870,771	4,541,446
Retained earnings, beginning of year	11,468,969	7,995,523
Dividends	(4,800,000)	(1,068,000)
Retained earnings, end of year	$ 14,539,740	$ 11,468,969

See accompanying notes to consolidated financial statements.

VERIDIAN CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Net income	$ 7,870,771	$ 4,541,446
Items not affecting cash:		
Future income taxes	(207,000)	47,001
Decrease in regulatory assets/liabilities	5,912,451	2,922,345
Change in employee future benefits obligation	47,194	74,467
Amortization of capital assets	9,733,645	9,291,747
Amortization of deferred charges	56,109	164,749
Gain on disposal of capital assets	(21,552)	(8,100)
Equity interest in loss of First Source Energy Corporation	–	104,482
	23,391,618	17,138,137
Change in non-cash operating working capital, net of effect of businesses acquired (note 15)	16,072,732	(5,910,503)
	39,464,350	11,227,634
Financing activities:		
Dividends paid	(4,800,000)	(1,068,000)
Decrease in customer deposits and contractor obligations	(1,277,405)	(1,325,970)
Amounts due to Hydro One Network Inc.	(23,838)	1,097,868
	(6,101,243)	(1,296,102)
Investing activities:		
Capital assets additions, net of contributed capital	(7,543,994)	(6,495,805)
Acquisitions, net of cash acquired	(14,102,195)	–
Proceeds on disposal of capital assets	21,552	8,100
	(21,624,637)	(6,487,705)
Increase in cash and cash equivalents	11,738,470	3,443,827
Cash and cash equivalents, beginning of year	26,830,772	23,386,945
Cash and cash equivalents, end of year	$ 38,569,242	$ 26,830,772
Supplemental cash flow information:		
Interest received	$ 1,012,979	$ 649,726
Interest paid	845,834	351,879
Amounts in lieu of corporate income taxes	6,107,184	4,655,014

See accompanying notes to consolidated financial statements.

Veridian Corporation (the "Corporation") was incorporated on July 1, 1999 under the Ontario Business Corporations Act and was formed to conduct electricity distribution and non-regulated utility service ventures through its subsidiaries.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include the accounts of the Corporation and its wholly owned subsidiaries, Veridian Connections Inc. and Veridian Energy Inc. The Corporation's 42.3% interest in the First Source Energy Corporation ("First Source") is accounted for using the equity method.

(b) Rate setting:

Veridian Connections Inc. 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, revenues, losses or gains in the rates of a specific period, resulting in the change in the timing of accounting recognition from that, which would have applied in an unregulated company. Such change in the timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Corporation has recorded regulatory liabilities which represent amounts for expenses incurred in different periods that would be the case had the Corporation been unregulated. Specifically, the following accounting treatments have been applied:

(i) Capital and operating costs incurred in respect of the transition to competitive markets were deferred with amortization commencing on the date that a rate increase is implemented to offset the amortization of the transition costs.

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

(ii) An amount to represent the cost of funds used during construction and development has been applied based on the value of construction in progress.

(iii) The Corporation does not record future income tax assets or liabilities 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.

(iv) The Corporation has deferred certain pre-market opening cost of power variances and post-market opening retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

(c) 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.

(d) Revenue recognition:

Revenue from the sale of electricity is recognized on the accrual basis, which includes an estimate of unbilled revenue representing electricity consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual electricity usage.

Distribution service and other revenue are recognized as services are rendered.

(e) Measurement uncertainty:

The preparation of the Corporation's 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 year. Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered and an appropriate allowance for unrecoverable amounts. Inventory is recorded net of provisions for obsolescence. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy. Amounts recorded for amortization of capital assets are based on estimates of useful service life.

1. Significant accounting policies (continued):

(f) Inventory:

Inventory, which consists of parts and supplies acquired for internal construction or completion, is valued at the lower of cost and replacement cost. Cost is determined on a weighted moving average basis.

(g) 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. The OEB requires that such contributions, whether in cash or in-kind, be offset against the related asset cost. Contributions in-kind are valued at their fair market value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and office equipment 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 transmission and distribution system, is removed from the accounts at the end of their estimated service life.

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives at the following annual rates:

Land rights	2%
Buildings	2% - 4%
Distribution station equipment	3% - 33%
Transmission and distribution system	4% - 10%
Meters and water heaters	10%
Office equipment	10%
Computer hardware	20%
Computer software	33.33%
Vehicle fleet	12.5% - 33.33%

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.

1. Significant accounting policies (continued):

An allowance for the cost of funds used during the construction period has been applied. The rate applied for the current fiscal period is equal to the rate allowed by the OEB in respect of long-term borrowings, being 7% (2004 - 7%).

(h) Intangible assets:

Intangible assets are principally comprised of licences issued by the OEB granting authority to provide electricity distribution services within specified exclusive areas. Such amounts arise from acquisitions. Intangible assets with indefinite life are not amortized. Any permanent impairment of the value of intangible assets is recorded as a charge against income in the year that such determination is made.

(i) Deferred charges:

Deferred charges consist of deferred software charges and incorporation costs. Deferred software charges are capitalized as computer software when these are ready for use. Incorporation costs are amortized over five years.

(j) Customer deposits and contractor obligations:

Customers and contractors may be required to post security to obtain electricity or other services. Interest is paid on customer balances at rates established from time to time by the Corporation.

(k) Pension and other post-employment benefits:

The Corporation accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Corporation applies 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.

1. Significant accounting policies (continued):

(l) Payments in lieu of corporate income taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to Ontario Electricity Financial Corporation. 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) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and tax basis 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.

For its rate regulated business, no provision is made for future income taxes to the extent the future income taxes are expected to be included in the rates charged to customers in the future. Management believes that when unrecorded future income taxes become payable, or the assets are realized, it is expected that they will be included in rates approved by the OEB and recovered from customers at that time.

For its non-regulated businesses, 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 year that includes the date of enactment or substantive enactment.

2. Accounts receivable:

	2005	2004
Energy	$ 14,127,206	$ 14,819,689
Retailer	(213,575)	139,990
Project expenditures recoverable from customers	1,953,055	1,371,297
Other	1,188,871	1,040,983
	17,055,557	17,371,959
Less allowance for doubtful accounts	608,827	370,000
	$ 16,446,730	$ 17,001,959

3. Long-term investments:

	2005	2004
First Source, 42.3% equity position	$ 217,753	$ 217,753
Other, at cost	45,624	45,624
	$ 263,377	$ 263,377

4. Capital assets:

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Land	$ 1,741,320	$ –	$ 1,741,320	$ 1,536,234
Land rights	690,060	86,067	603,993	93,777
Buildings	10,178,431	3,001,974	7,176,457	7,073,740
Distribution station equipment	24,043,991	11,427,719	12,616,272	11,667,353
Transmission and distribution system	213,088,672	103,457,983	109,630,689	102,444,612
Meters and water heaters	13,832,885	4,860,351	8,972,534	7,128,381
Office equipment	2,971,036	2,297,355	673,681	711,506
Computer hardware	4,387,766	3,873,339	514,427	419,744
Computer software	3,190,760	2,272,011	918,749	648,628
Vehicle fleet	6,280,508	5,613,485	667,023	260,728
Contributions in aid of construction	(22,899,088)	(3,379,148)	(19,519,940)	(14,593,902)
	$ 257,506,341	$ 133,511,136	$ 123,995,205	$ 117,390,801

During the year, $168,561 (2004 - $154,479) representing an allowance for the cost of funds used during construction was capitalized.

5. Regulatory assets (liabilities):

Regulatory assets (liabilities) can arise out of the rate making process.

	2005	2004
Regulatory assets:		
Deferred transition costs	$ 1,050,865	$ 831,352
Pre-market opening cost of power variances	2,537,531	1,997,707
OEB costs and pension contributions	760,550	–
Less:		
Amounts recovered through distribution rates	1,268,621	624,789
Amounts expected to be recovered in the next year	1,102,135	851,956
Valuation allowance	369,073	–
	$ 1,609,117	$ 1,352,314
Regulatory liabilities:		
Conservation and demand management	$ 126,811	$ –
Post-market opening retail settlement variances	10,939,795	4,431,658
Less amounts expected to be settled in the next year	2,215,829	552,033
	$ 8,850,777	$ 3,879,625

Deferred transition costs represent costs related to the transition to a competitive electricity market, mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs, to qualify amounts for deferral and amortization against future revenue. To the extent that transition costs have been incurred that do not qualify for deferral, these costs have been expensed during the year they were incurred. In the absence of rate regulated accounting, interest income in 2005 would have been lower by $47,054.

Pre-market opening cost of power variances represents amounts accumulated as a result of the excess of the cost of power purchased by the Corporation over the amount billed for this power prior to the market opening. The OEB directed utilities to accumulate such variances in the period leading up to market opening. In the absence of rate regulated accounting, interest income in 2005 would have been lower by $169,131.

The OEB approved the establishment of a regulatory deferral account to record the Corporation's distribution-related pension contributions and OEB hearing costs that would otherwise have been charged to results of operations, less the effect of the valuation allowance.

5. Regulatory assets (liabilities) (continued):

Post-market opening retail settlement variances are variances that have occurred since May 1, 2002 when the competitive electricity market was declared open and that have accumulated pursuant to direction from the OEB. Specifically, these amounts include variances between the amount charged by the Independent Electricity System Operator ("IESO") for the operation of the markets and grid, as well as various wholesale market settlement charges, transmission charges as compared to the amount billed to consumers based on the OEB approved wholesale market service rate. In the absence of rate regulated accounting, interest expense in 2005 would have been lower by $39,732.

As a result of the Corporation's distribution rate application filed in January 2004, the regulatory assets are expected to be recovered over a period, not expected to exceed four years commencing March 1, 2004. The amount to be recovered annually is subject to an OEB review and approval process.

Management continues to assess the likelihood of recovery of its regulatory assets and believes that it is probable that its regulatory assets and liability balances will be factored into setting of future rates. In the event that recovery from future rates is no longer considered probable or portions of amounts deferred are determined not be recoverable, such amounts will be expensed in the period this determination is made.

6. Amounts available to offset future payments in lieu of corporate income taxes:

The Corporation has unrecorded future income tax assets arising substantially from differences between accounting and tax values for capital assets employed in its rate-regulated business amounting to $10,729,000 (2004 - $11,500,000) based on current tax rates. The benefit of these amounts will be recorded as they are realized and form part of the rates charged to its customers.

In the absence of rate regulated accounting, the Corporation's provision for PILs would have been recognized on an accrual basis rather than under the taxes payable method. As a result, the provision for PILs would have been higher by approximately $771,000.

7. Bank indebtedness:

The Corporation has established three separate credit facilities aggregating $58,000,000 with the Bank of Nova Scotia as follows: a five-year term loan facility in the amount of $48,000,000 which is to be used for refinancing of past acquisitions, capital funding requirement for distribution assets, expenditures and new business investment initiatives and a 364-day term renewable revolving credit facility in the amount of $10,000,000 which is to be used for prudential support obligation for the regulated distribution business.

All five-year advances are available by way of prime rate advances and Canadian dollar acceptances with stamping fees ranging from 0.25% to 0.60%.

These credit facilities are unsecured and the Corporation must meet certain financial covenants under the terms of the facilities.

8. Long-term debt:

	2005	2004
7.6% notes payable to shareholders, due on November 1, 2006	$ 60,794,000	$ 60,794,000
Bank debt, due on December 16, 2006 with interest at rates ranging from 5.54% to 5.66%	14,500,000	14,500,000
	75,294,000	75,294,000
Less amounts due within one year	75,294,000	–
	$ –	$ 75,294,000

Principal due to retirement of long-term debt of $75,294,000 is due in 2006.

The notes payable mature on November 1, 2006 and are convertible on or before the maturity date at the option of the holder on the basis of one common share for each $1,000 of principal amount.

8. Long-term debt (continued):

Interest on long-term debt comprises:

	2005	2004
Interest on notes payable and debentures	$ 5,457,622	$ 5,437,681
Interest on customer deposits and other	850,583	368,378
	6,308,205	5,806,059
Less allowance for funds used during construction	168,561	154,479
	$ 6,139,644	$ 5,651,580

9. Amounts due to Hydro One Network Inc.:

During the year, the OEB rendered a decision to allow Hydro One Network Inc. to recover certain costs from embedded distributors and for this recovery to take place on a monthly basis commencing April 1, 2005. The amount is expected to be recovered in full by April 30, 2006.

The amount due to Hydro One Network Inc. by the Corporation is $1,074,030. This amount is expected to be recovered through the Corporation's distribution rates. The amount expected to be paid during the next year is $432,132.

10. Employee benefits:

(a) Pensions:

During 2005, the Corporation made contributions totalling $640,160 (2004 - $600,620) to OMERS.

(b) Employee future benefits:

The Corporation pays certain benefits on behalf of its retired employees. The Corporation recognizes these post-retirement costs in the period in which the employees render the services.

10. Employee benefits (continued):

Information about the Corporation's non-contributory defined benefit plan to fund life insurance benefits is as follows:

	2005	2004
Accrued benefit liability recognized at January 1	$ 786,569	$ 712,102
Current service costs and interest expense on accrued benefit obligation	250,659	212,319
Benefit payments	(111,333)	(137,852)
Accrued benefit obligation at December 31	$ 925,895	$ 786,569

The amounts presented are based upon an actuarial valuation performed as of December 31, 2004 with a measurement date of February 18, 2005. The next valuation is expected to be performed for the year ending December 31, 2007.

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

(i) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), are assumed at 2.2% for future years.

(ii) Interest (discount) rate:

Amounts were determined using an annual discount rate of 5.75%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3%.

(iii) Salary levels:

Future general salary and wage levels were assumed to increase at 3% per annum.

11. Share capital:

	2005		2004	
	Number of shares	Amount	Number of shares	Amount
Authorized:				
Unlimited common shares				
Issued	10,000	$ 67,285,173	10,000	$ 67,285,173

12. Contingencies and guarantees:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which was created on January 1, 1987. 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 provides general liability insurance to member electric utilities.

Insurance premiums charged to each member electric utility consist of a levy per $1,000 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Insurance limits of $20 million per occurrence are covered by MEARIE.

(b) Other claims:

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 anytime after April 1, 1981.

The claim is that late payment penalties charged prior to March 1, 2002 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.

12. Contingencies and guarantees (continued):

The action has not yet been certified as either a plaintiff or defendant class action. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Corporation.

On April 22, 2004, the Supreme Court of Canada released its decision in a case commenced against Enbridge Gas Distribution ("EGD") by a customer with respect to late payment penalties. The Supreme Court of Canada determined that EGD would be required to repay a portion of amounts paid to it as late payment penalties from April 1994. Any implications of the EGD decision on the Toronto Hydro class action cannot be determined at this time.

(c) Guarantees - Veridian Connections Inc.:

The Corporation's regulated subsidiary participates in the competitive supply of electricity market to procure a supply of electricity for its customers. Based upon the market participant's credit rating, the market participants are required to post security prudentials with the Independent Electricity System Operations ("IESO").

At December 31, 2005, this requirement was satisfied by the posting of letters of credit in the amount of $5,565,530.

(d) Guarantees - First Source Energy Corporation:

The Corporation is, under the terms of the shareholder agreement with Enersource Corporation, required to provide security to meet credit security requirements of First Source to power suppliers for power purchase agreement for market settlement purposes.

As at December 31, 2005, the Corporation's proportionate share of guarantees posted on behalf of First Source by Enersource Corporation totalled $2,538,000.

13. Lease commitments:

Future minimum lease payment obligations under operating leases are as follows:

2006	$ 697,000
2007	648,000
2008	604,000
2009	592,000
2010	592,000
Thereafter	3,483,000
	$ 6,616,000

14. Other income:

	2005	2004
Third party revenue - Energy	$ 1,446,270	$ 1,621,983
Late payment charge	501,234	424,628
Customer charges	438,959	355,583
Pole rentals	143,304	401,730
Interest	1,098,286	760,787
Gain on disposal of capital assets	21,552	8,100
Other	1,245,263	1,888,151
	$ 4,894,868	$ 5,460,962

15. Change in non-cash operating working capital, net of effect of businesses acquired:

	2005	2004
Accounts receivable	$ 1,824,612	$ (3,991,486)
Unbilled revenue	(7,734,677)	(4,120,256)
Other assets	(345,579)	322,203
Accounts payable and accrued liabilities	21,861,638	2,549,927
Amounts payable/recoverable in lieu of corporate income taxes	(790,459)	(606,412)
Advance payments - construction deposits	142,613	(64,479)
Developer obligations	1,114,584	–
	$ 16,072,732	$ (5,910,503)

16. Related party transactions:

The Corporation provides electricity and services to its principal shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering and the City of Belleville (collectively, the "shareholders"). Electrical energy is sold to the shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. The Corporation also provides street light and power line maintenance services to the shareholders on a contract basis. The charges for these services are at rates similar to those charged to other customers of maintenance services. A summary of amounts charged by the Corporation to the shareholders is as follows:

	2005	2004
Electrical energy and services	$ 5,168,785	$ 5,470,294

Interest on long-term debt includes interest of $4,620,394 (2004 - $4,611,413) on the notes payable to the shareholders.

At December 31, 2005, accounts receivable include $672,515 (2004 - $922,107) due from the shareholders.

17. Fair values of financial instruments:

The carrying amounts of all financial instruments, except long-term debt, approximate fair value. It is not practicable to estimate the fair value of long-term debt as it is not publicly traded.

18. Acquisitions:

(a) Gravenhurst Hydro Electric Inc. and Gravenhurst Energy Services Inc.:

On October 31, 2005, Veridian Connections Inc., a wholly owned subsidiary of the Corporation, completed a share purchase agreement with Gravenhurst Power Inc., a wholly owned corporation of the Town of Gravenhurst, to acquire 100% of the shares of Gravenhurst Hydro Electric Inc. for purchase consideration of $11.88 million. Gravenhurst Hydro Electric Inc. is a licensed local distribution company that distributes electricity to approximately 6,000 customers in the Town of Gravenhurst.

18. Acquisitions (continued):

On October 31, 2005, Veridian Energy Inc., a wholly owned subsidiary of the Corporation, completed a share purchase agreement with Gravenhurst Power Inc. to acquire 100% of the shares of Gravenhurst Energy Services Inc. for purchase consideration of $650,000.

(b) Scugog Hydro Energy Corporation:

On June 30, 2005, Veridian Connections Inc. completed a share purchase agreement with the Township of Scugog to acquire 100% of the shares of Scugog Hydro Energy Corporation for purchase consideration of $3.45 million. Scugog Hydro Energy Corporation is a licensed local distribution company that distributes electricity to approximately 2,400 customers in the Township of Scugog.

The following table summarizes the net assets acquired as of the closing date of each acquisition:

	Gravenhurst Hydro Electric Inc.	Gravenhurst Energy Services Inc.	Scugog Hydro Energy Corporation
Assets:			
Current	$ 2,928,486	$ 341,654	$ 1,220,478
Capital	7,178,628	142,502	1,472,925
Intangible	8,816	–	–
Regulatory	176,811	–	385,674
	10,292,741	484,156	3,079,077
Liabilities:			
Current	1,210,426	11,208	844,452
Other	135,130	–	51,389
Regulatory	349,142	–	–
	1,694,698	11,208	895,841
Legal costs and other adjustments	185,456	–	236,131
Net assets acquired	8,412,587	472,948	1,947,105
Purchase price	11,880,000	650,000	3,450,000
Purchase price premium, allocated to intangible assets	$ 3,467,413	$ 177,052	$ 1,502,895

19. Comparative figures:

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