

London Hydro Inc.

**Financial Statements
For the Year Ended December 31, 2005**



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AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

We have examined the balance sheet of London Hydro Inc. as at December 31, 2005 and the statements of earnings and retained earnings, and 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 London Hydro Inc. 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.

Chartered Accountants

London, Canada

February 17, 2006


London Hydro Inc.

Balance Sheet
(in thousands of dollars)
As at December 31, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 24,347	\$ 17,771
Accounts receivable (Notes 4, 9 and 11)	38,118	41,276
Regulatory assets (Note 5)	5,631	6,466
Inventories	3,452	3,330
Prepaid expenses	957	913
	<u>72,505</u>	<u>69,756</u>
Regulatory assets (Note 5)	<u>11,926</u>	<u>12,030</u>
Capital assets (Note 6)	<u>167,224</u>	<u>166,252</u>
Future income tax assets (Note 13)	<u>5,992</u>	<u>3,212</u>
	<u>\$ 257,647</u>	<u>\$ 251,250</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities (Note 7)		
Accounts payable and accrued liabilities -		
Due to Independent Electricity System Operator	\$ 23,394	\$ 19,233
Other	10,647	10,763
Income taxes payable	1,642	1,895
Customer and other deposits (Note 8)	5,208	8,812
Due to shareholder (Note 9)	6,312	5,009
Regulatory liabilities (Note 5)	1,240	-
Future income tax liabilities (Note 13)	1,193	967
	<u>49,636</u>	<u>46,679</u>
Long-term liabilities		
Customer and other deposits (Note 8)	9,567	9,667
Due to shareholder (Note 9)	70,000	70,000
Employee future benefits (Note 14)	7,720	7,355
	<u>87,287</u>	<u>87,022</u>
Shareholder's equity		
Share capital (Note 10)	96,116	96,116
Retained earnings	24,608	21,433
	<u>120,724</u>	<u>117,549</u>
	<u>\$ 257,647</u>	<u>\$ 251,250</u>
Subsequent event (Note 16)		

On behalf of the Board:


Director


Director

London Hydro Inc.

Statement of Earnings and Retained Earnings
(in thousands of dollars)
For the Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Distribution revenue (Note 11)	\$ 42,262	\$ 40,015
Operating expenses		
Plant operating and maintenance	8,596	8,485
General and administrative	17,774	17,033
Amortization of capital assets	<u>12,848</u>	<u>12,578</u>
	39,218	38,096
Less: Costs recovered (Note 9)	<u>(3,259)</u>	<u>(3,895)</u>
	<u>35,959</u>	<u>34,201</u>
Operating income	<u>6,303</u>	<u>5,814</u>
Other Income (expense)		
Interest and other revenue (Note 12)	5,277	4,399
Interest expense (Note 9)	<u>(4,496)</u>	<u>(4,473)</u>
	<u>781</u>	<u>(74)</u>
Earnings before the following	7,084	5,740
Recovery of regulatory amounts	<u>-</u>	<u>6,498</u>
Earnings before income taxes	7,084	12,238
Income taxes (Note 13)	<u>1,909</u>	<u>4,130</u>
Net earnings for the year	5,175	8,108
Retained earnings, beginning of year	21,433	13,325
Dividends	<u>(2,000)</u>	<u>-</u>
Retained earnings, end of year	<u>\$ 24,608</u>	<u>\$ 21,433</u>

See accompanying notes to the financial statements

London Hydro Inc.

Statement of Cashflows (in thousands of dollars) For the Year Ended December 31, 2005

	2005	2004
Operating activities		
Net earnings for the year	\$ 5,175	\$ 8,108
Charges to operations not affecting cash		
Amortization of capital assets	12,848	12,578
Gain on disposal of capital assets	(44)	(19)
Future income taxes	(2,554)	860
	15,425	21,527
Net decrease in non-cash working capital balances related to operations	8,087	5,335
Increase in employee future benefits	365	178
Increase (decrease) in customer and other deposits	(3,704)	2,159
Cash provided by operating activities	20,173	29,199
Financing activities		
Dividends		
Developer contributions to capital asset costs	(2,000)	-
	2,772	1,627
Cash provided by financing activities	772	1,627
Investing activities		
Additions to capital assets		
Proceeds on disposal of capital assets	(16,712)	(16,633)
Decrease (increase) in regulatory assets and liabilities	164	69
	2,179	(4,320)
Cash used in investing activities	(14,369)	(20,884)
Increase in cash and equivalents during the year	6,576	9,942
Cash and equivalents, beginning of the year	17,771	7,829
Cash and equivalents, end of the year	\$ 24,347	\$ 17,771
Cash and equivalents are comprised of		
Cash	\$ 9,390	\$ 17,771
Banker's Acceptance at 3.25%	14,957	-
	\$ 24,347	\$ 17,771
Supplemental cashflow information		
Interest paid	\$ 4,296	\$ 4,218
Income taxes paid	\$ 5,316	\$ 2,250

See accompanying notes to the financial statements

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

1. Regulated Business Operations and Distribution Rates

The Company is a wholly owned subsidiary company of the Corporation of the City of London and provides regulated electrical distribution services to the inhabitants of the City of London.

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act (1998). The OEB has responsibility to set reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

In January 2000, the OEB established that distribution rates would be subject to Performance Based Regulation ("PBR"), a method of regulation whereby distribution rates are reduced annually to reflect productivity improvements required of the Company. Under this rate methodology, rates also include regulated amounts for return on Company equity and debt, which were initially determined by the OEB to be 9.88% and 7%, respectively. While the initial PBR regulatory framework provided for those regulatory rates of return, subsequent regulation and Provincial Government initiatives have yet to allow distribution companies to fully achieve those returns. Commencing sometime in fiscal 2006, it is expected that the full amount for regulated return will be included in distribution rates.

2. Financial Effects of Distribution Rate Regulation

The financial results presented are in accordance with generally accepted accounting principles and within that framework the Company accounts for the impact of regulatory actions in the following manner:

a) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to Company distribution rates, such occurrences are immediately reflected in the Company's accounts.

b) Regulatory Direction and Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Amounts currently confirmed by final regulatory decision, and amounts currently accounted for in the absence of final regulatory decision together with related provisions for future uncertainty, are more fully described in note 5 to the financial statements.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

3. Summary of Significant Accounting Policies

a) Revenue recognition

In accordance with Ontario Energy Board regulations, the Company recognizes as revenue the regulated distribution tariffs associated with energy distributed, and variances between energy purchase costs and energy billed are recorded as regulatory assets or liabilities for future rate application consideration.

The Company follows the practice of cycle billing customers' accounts and revenue is recognized in the period billed. An accrual is made in the accounts at December 31 for distribution revenue earned on power supplied but not billed to customers between the date the meters were last read and the end of the year.

b) Inventories

Inventories of materials and supplies are valued at the lower of laid down cost on the average cost basis and net realizable value.

c) Capital assets

Capital assets are amortized over their estimated useful lives using the straight-line method over the following periods:

Buildings	50 to 60 years
Other construction	25 to 30 years
Substation equipment	30 years
Distribution lines, transformers and meters	25 years
System supervisory equipment	15 to 25 years
Service, office and other equipment	8 to 10 years
Automotive equipment	4 to 8 years
Computer equipment	5 years

When a capital asset is sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings.

Capital assets that by their nature are not readily identifiable as individual assets are grouped together. Under this method, the related cost and accumulated amortization are removed from their respective grouping account at the end of the asset's estimated useful life, regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

d) Contributions to capital costs

Contributions are received from developers and contractors for capital costs incurred by the Company. These contributions are included as a reduction to the cost of the related capital assets when those assets are placed in service.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

3. Summary of Significant Accounting Policies, continued

e) Cash and equivalents

Cash on hand and on deposit with banks, and short-term investments with maturity of three months or less, are considered cash and equivalents.

f) Income taxes

The Company follows the liability method for accounting for income taxes whereby future income tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective values for income tax purposes. These differences are measured using substantively enacted tax rates in effect in the period in which those differences are expected to be recovered or settled. To the extent that there is uncertainty regarding the recovery of a future income tax asset a valuation allowance reducing the future income tax asset is recorded.

g) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Certain estimates are also required as regulations, which will ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. Due to these uncertainties, actual results might differ from those estimates and the impact will be recorded in the current period when the actual results are known.

h) Employee future benefits

The Company has adopted the following policies for future benefits provided to both active and retired employees:

(i) Pension benefits

The Company has a pension agreement with the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer contributory defined benefit plan. Company contributions to the plan are recognized as pension expense in the period that they are incurred.

(ii) Other Post-Retirement and Post-Employment benefits

The Company provides other benefits to active and retired employees including group life insurance and health-care benefits. Recognition of these benefits are actuarially determined using the projected benefit method pro rated on service using management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

4. Accounts Receivable

	<u>2005</u>	<u>2004</u>
Accounts receivable -		
Energy and water	\$ 38,137	\$ 41,407
Sundry	<u>1,365</u>	<u>1,572</u>
	39,502	42,979
Less: Allowance for doubtful accounts	<u>1,384</u>	<u>1,703</u>
	<u>\$ 38,118</u>	<u>\$ 41,276</u>

Included in accounts receivable is approximately \$3.8 million (2004 - \$4.7 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, no allowance for doubtful collection has been provided for these accounts.

5. Regulatory Assets and Liabilities

	<u>2005</u>	<u>2004</u>
Regulatory assets		
Amounts approved and included in distribution rates	\$ 14,534	\$ 20,094
Less: Current portion	<u>5,631</u>	<u>6,466</u>
	8,903	13,628
Amounts to be submitted for future rate approval:		
Ontario Energy Board annual assessment costs	340	106
Purchased power cost variances	<u>3,103</u>	<u>896</u>
	12,346	14,630
Provision for regulatory rate adjustments	<u>(420)</u>	<u>(2,600)</u>
	<u>\$ 11,926</u>	<u>\$ 12,030</u>
Regulatory liabilities		
Conservation and Demand Management - recoveries	\$ 2,122	\$ -
Conservation and Demand Management - expenditures	<u>(882)</u>	<u>-</u>
	<u>\$ 1,240</u>	<u>\$ -</u>

a) Amounts approved and included in distribution rates

The regulatory decision of December 9, 2004 affirmed the recovery of these amounts in rates which are being recovered through a distribution rate rider over a three-year period ending March 31, 2008.

b) Ontario Energy Board annual assessment costs

In December of 2004, electric distribution companies were allowed to establish a deferral account to record the annual costs assessed by the regulator. The amounts recorded as deferred costs are the amounts by which the annual OEB assessment costs for the period January 1, 2004 to April 30, 2006, exceed the amounts being recovered through distribution rates. It is anticipated that these costs will be reviewed by the regulator for final approval in 2006, and if approved, recovery would commence in 2007.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

5. Regulatory Amounts Recoverable, continued

b) Ontario Energy Board annual assessment costs, continued

In the absence of rate regulation, generally accepted accounting principles would require the Company to record such costs in the operating results of the year in which they are incurred and reported earnings before income taxes would be \$0.2 million (2004 - \$0.1 million lower) lower than reported.

c) Purchased power cost variances

As a regulated distributor of electricity, the Company is obligated to provide default energy supply to those consumers who elect not to purchase their energy from an energy retailer. The regulatory framework requires that all default energy commodity costs be billed to the consumer at regulated rates. Variances between purchase costs and amounts billed are required to be captured in a Retail Settlement Variance Account for future rate recovery. The Company has accumulated in the Retail Settlement Variance Accounts amounts that have accumulated since January 1, 2004 in the amount of \$3.1 million (2004 - \$0.9 million). Variances are eligible for recovery in future rates based upon a quarterly review process established by the regulator which determines when the balances are material enough to warrant an adjustment to rates.

Variances accumulated prior to January 1, 2004 in the amount of \$9.9 million plus allowed interest are included in the regulatory assets that were approved for rate recovery in December 2004.

d) Provision for regulatory rate adjustments

With the implementation of Bill 210 in December of 2002, distribution rates were frozen at their existing levels, which included a one-time adjustment for the recovery of 2001 income taxes. Due to the rate freeze, this adjustment was not removed from the rates until April 1, 2004. To-date, the regulator has not issued a formal decision on whether amounts collected during 2003 and 2004 for the 2001 tax component in rates, will be adjusted for in a future rate proceeding, but sufficient information was provided by the regulator during 2005 to indicate that these amounts will not be fully refundable. During 2005, this provision was reduced by \$2.2 million, and it is anticipated that final resolution on the remaining balance will be made in 2006 pending further clarification on this matter by the regulator.

e) Conservation and Demand Management expenditures and recoveries

In May of 2004, the Minister of Energy granted approval to all distributors to apply to the regulator for an increase in their 2005 distribution rates, conditional on a commitment by the Company to reinvest an equivalent amount in conservation and demand management initiatives. The Company received approval to collect approximately \$2.8 million to be spent on conservation and demand management programs over the period ending September 30, 2007. Until such amounts are fully expended, the Company has reflected these amounts as liabilities in keeping with the obligation to spend all amounts received on qualifying activities, as approved by the regulator.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

6. Capital Assets

	2005			2004
	Cost	Accumulated Amortization	Net	Net
Land and land rights	\$ 968	\$ 357	\$ 611	\$ 649
Buildings	17,746	7,499	10,247	10,670
Plant and equipment	35,876	20,795	15,081	15,526
Distribution system	241,251	102,740	138,511	136,450
Work in progress	2,774	-	2,774	2,957
	<u>\$ 298,615</u>	<u>\$ 131,391</u>	<u>\$ 167,224</u>	<u>\$ 166,252</u>

7. Bank Indebtedness

The Company has utilized \$13.2 million in bank standby letters of credit issued to the Independent Electricity System Operator, as required by regulation.

8. Customer and Other Deposits

Customer and other deposits include security deposits for energy consumption bearing interest at a rate of prime less 2% per annum and developer deposits held in accordance with regulation.

9. Related Party Balances and Transactions

	<u>2005</u>	<u>2004</u>
Non-interest bearing trade balances due to shareholder, without stated repayment terms	\$ 6,312	\$ 5,009
Unsecured promissory note, bearing interest at 6% per annum, payable in interest only, maturing July 1, 2008	<u>70,000</u>	<u>70,000</u>
	76,312	75,009
Less: Current portion	<u>6,312</u>	<u>5,009</u>
	<u>\$ 70,000</u>	<u>\$ 70,000</u>

Included in the accounts receivable is \$0.2 million (2004 - \$1.0 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

9. Related Party Balances and Transactions, continued

During the year and within the course of normal operations, the Company provided services to the City of London on an estimated cost recovery basis at an amount of \$3.3 million (2004 - \$3.9 million), and paid interest to the City in the amount of \$4.2 million (2004 - \$4.2 million).

10. Share Capital

Authorized

An unlimited number of common shares

An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount

Issued	<u>2005</u>	<u>2004</u>
1,001 common shares	<u>\$ 96,116</u>	<u>\$ 96,116</u>

11. Distribution Revenue

In addition to distribution revenues of \$42.3 million (2004 - \$40.0 million), by regulation the Company is responsible for billing, collecting and settling energy purchase costs in the amount of \$297.4 million (2004 - \$245.9 million).

12. Interest and Other Revenue

	<u>2005</u>	<u>2004</u>
Interest	\$ 1,420	\$ 1,490
Late payment charges	982	978
Sundry	946	1,018
Customer billing service fees	598	601
Rentals	1,195	204
Scrap sales and other	136	108
	<u>\$ 5,277</u>	<u>\$ 4,399</u>

13. Income Taxes

a) Income tax status

As a wholly owned subsidiary Company of the Corporation of the City of London, the Company is exempt from income taxes under the Income Tax Act (Canada). Pursuant to the Electricity Act (1998)(Ontario) the Company is required to make payments in lieu of tax to the Ontario Electricity Financial Corporation. The amount of payments in lieu of tax will be approximately equivalent to the income and capital taxes that would have to be paid if the Company was a taxable corporation under the Income Tax Act (Canada).

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

13. Income Taxes, continued

b) Income tax expense

The Company's effective income tax rates differed from the statutory combined federal and provincial rates primarily due to the following:

	<u>2005</u>	<u>2004</u>
Earnings before income taxes	<u>\$ 7,084</u>	<u>\$ 12,238</u>
Income tax expense based on combined federal and provincial statutory income tax rate of 36.1% (2004 – 36.1%)	\$ 2,557	\$ 4,420
Federal large corporations tax	144	210
Unrecognized future income tax assets	(500)	(500)
Effect of changes to substantively enacted tax rates	-	-
Other items	<u>(292)</u>	<u>-</u>
Income tax expense recognized	<u>\$ 1,909</u>	<u>\$ 4,130</u>

Income tax expense is comprised of the following:

Current income tax	\$ 4,463	\$ 3,270
Future income tax	<u>(2,554)</u>	<u>860</u>
	<u>\$ 1,909</u>	<u>\$ 4,130</u>

c) Future income tax balances

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities are as follows:

	<u>2005</u>	<u>2004</u>
Future income tax assets (liabilities):		
Capital assets	\$ 6,497	\$ 6,293
Employee future benefits	1,000	500
Deferred regulatory asset recoveries	(2,767)	(3,684)
Other	69	(864)
	<u>\$ 4,799</u>	<u>\$ 2,245</u>
Classified in the balance sheet as follows:		
Non-current assets	\$ 5,992	\$ 3,212
Current liabilities	<u>(1,193)</u>	<u>(967)</u>
	<u>\$ 4,799</u>	<u>\$ 2,245</u>

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

14. Employee Future Benefits

a) Pension plan

The Company has a pension agreement with the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. During the year, the Company contributed \$1.1 million (2004 - \$1.0 million).

b) Medical and life insurance benefits plan

The Company provides medical and life insurance benefit coverage to certain retirees of the Company. Based on a recent actuarial extrapolation of the plan's last valuation of September 30, 2003, the following information has been determined:

	<u>2005</u>	<u>2004</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 9,556	\$ 9,426
Current service cost	170	163
Interest cost	565	558
Benefits paid	(478)	(591)
Actuarial loss	<u>1,032</u>	<u>-</u>
Balance, end of year	<u>\$ 10,845</u>	<u>\$ 9,556</u>

	<u>2005</u>	<u>2004</u>
Accrued benefit liability		
Accrued benefit obligation	\$ 10,845	\$ 9,556
Benefits paid between measurement date of September 30, 2005 and December 31, 2005	(110)	(149)
Unamortized net actuarial loss	<u>(3,015)</u>	<u>(2,052)</u>
Accrued benefit liability, end of year	<u>\$ 7,720</u>	<u>\$ 7,355</u>

The Company's net periodic benefit cost is comprised of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 170	\$ 163
Interest cost	565	558
Amortization of net actuarial loss	<u>68</u>	<u>74</u>
	<u>\$ 803</u>	<u>\$ 795</u>

The excess of the net actuarial loss in excess of ten percent of the accrued benefit obligation is amortized over the average remaining service life of employees, which is estimated to be 16 years.

London Hydro Inc.
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(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2005

14. Employee Future Benefits, continued

The significant actuarial assumptions are as follows:

	<u>2005</u>	<u>2004</u>
Discount rate	5.1%	6.0%
Initial medical cost rate	10.0%	11.0%
Ultimate medical cost rate	5.0%	5.0%
Year ultimate rate reached	2011	2011
Dental cost rate	5.0%	5.0%
Rate of compensation increase	4.0%	4.0%

The estimated impact on fiscal 2004 reported pension amounts of a one percent increase or decrease in the health care cost assumptions is as follows:

	<u>Reported</u>	<u>+1.0%</u>	<u>-1.0%</u>
Current service cost	\$ 170	\$ 210	\$ 140
Interest cost	\$ 565	\$ 615	\$ 525
Accrued benefit obligation	\$ 10,845	\$ 11,906	\$ 10,002

15. Financial Instruments and Credit Risk

a) Financial Instruments

Management estimates that the fair values of all financial assets and liabilities are not materially different from their carrying values.

b) Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligation to the Company reducing the expected cash inflow from Company assets recorded at the balance sheet date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. The Company has assessed that there are no significant concentrations of credit risk.

16. Subsequent Event

On March 21, 2006, the Board of Directors declared a \$2.0 million dividend payable to the sole shareholder, the Corporation of the City of London.