

Unaudited Financial Statements of

**MANITOBA HYDRO UTILITY
SERVICES LIMITED**

Year ended March 31, 2009

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2009	2008
	<i>dollars</i>	
Revenues		
Manitoba Hydro meter reading	3 402 956	3 326 375
Line locating	821 583	-
Other contracted services	10 607	48 783
Manitoba Hydro contracted services	1 366 469	1 541 741
Interactive voice response system	124 957	123 839
Interest income	18 469	31 687
	5 745 041	5 072 425
Expenses		
Operating and administrative		
Equipment maintenance	63 869	40 170
Wages and benefits	4 904 054	4 509 921
Other operating and administrative	444 875	196 748
	5 412 798	4 746 839
Depreciation and amortization	90 290	93 442
Capital and other taxes	85 132	74 309
	5 588 220	4 914 590
Net Income	156 821	157 835
Retained earnings, beginning of year	990 328	832 493
Retained Earnings, end of year	1 147 149	990 328

MANITOBA HYDRO UTILITY SERVICES LIMITED
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2009	2008
			<i>dollars</i>
Assets			
Property, Plant and Equipment			
Cost	4	1 037 710	942 258
Less accumulated depreciation	4	796 450	706 160
		241 260	236 098
Current Assets			
Cash and cash equivalents		414 993	440 555
Term investment	7	625 000	650 000
Accounts receivable	5	492 677	430 547
Prepays		12 565	-
		1 545 235	1 521 102
		1 786 495	1 757 200
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable and accrued liabilities	7	639 336	766 862
Shareholder's Equity			
Share capital	8	10	10
Retained earnings		1 147 149	990 328
		1 147 159	990 338
		1 786 495	1 757 200

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chairman of the Board

William Fraser, FCA
Chair of the Audit Committee

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2009	2008
	<i>dollars</i>	
Operating Activities		
Cash receipts from customers	5 651 876	5 183 281
Cash paid to suppliers and employees	(5 625 456)	(4 757 943)
Interest received	18 469	31 687
Cash provided by operating activities	44 889	457 025
Investing Activities		
Term investment	25 000	-
Additions to property, plant and equipment	(95 451)	(117 660)
Cash used for investing activities	(70 451)	(117 660)
Net increase (decrease) in cash and cash equivalents	(25 562)	339 365
Cash and cash equivalents at beginning of year	440 555	101 190
Cash and cash equivalents at end of year	414 993	440 555

The accompanying notes are an integral part of the financial statements.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2009

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro Utility Services Limited (MHUS) is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and commenced operations on January 2, 1998. MHUS provides meter reading, interactive voice response systems, and contracted services primarily to Manitoba Hydro and Centra Gas Manitoba Inc. a wholly-owned subsidiary of Manitoba Hydro.

As a wholly-owned subsidiary of Manitoba Hydro, MHUS is not subject to income taxes under section 149(d) of the Income Tax Act.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method. The following rates are designed to depreciate the assets over their estimated useful lives:

Furniture	10.0%
Office equipment	20.0%
Computer systems and software	10.0%
Computer hardware	20.0%
Meter reading devices	20.0%
Interactive Voice Response (IVR) System	33.3%
Line locating equipment	20.0%

b) **Revenue**

Revenue is recognized as services are provided. Revenue from related parties is recorded at the exchange amount.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2009

c) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading instruments are measured at fair value.

MHUS has classified its financial instruments as follows:

Cash	Held-for-trading
Term investment	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

The carrying values of all financial instruments approximate fair value.

d) **Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income (OCI). As MHUS has no items related to OCI, comprehensive income for the year is equivalent to net income.

e) **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Capital Disclosures

Effective April 1, 2008, MHUS adopted CICA Handbook Section 1535, *Capital Disclosures*. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e. debt and equity), its objectives, policy and processes for managing capital. These disclosures are provided in Note 9.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2009

Future Accounting Changes

International Financial Reporting Standards (IFRS)

The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective January 1, 2011. The transition date for Manitoba Hydro Utility Services of April 1, 2011 will require the restatement, for comparative purposes, of amounts reported by MHUS for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting standards and MHUS is currently assessing the impact of those differences.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

			2009
	Cost	Accumulated Depreciation	Net Book Value
	<i>dollars</i>		
Furniture	26 842	14 171	12 671
Office equipment	12 092	11 160	932
Computer systems and software	256 416	256 061	355
Computer hardware	150 197	102 279	47 918
Line locating equipment	46 221	9 035	37 186
Meter reading devices	545 943	403 745	142 199
	1 037 710	796 450	241 260

			2008
	Cost	Accumulated Depreciation	Net Book Value
	<i>dollars</i>		
Furniture	22 462	12 999	9 463
Office equipment	11 921	10 745	1 176
Computer systems and software	256 416	254 763	1 653
Computer hardware	100 061	92 327	7 734
Line locating equipment	38 873	648	38 225
Meter reading devices	512 525	334 678	177 847
	942 258	706 160	236 098

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2009

NOTE 5 ACCOUNTS RECEIVABLE

	2009	2008
	<i>dollars</i>	
Manitoba Hydro	492 094	406 772
Other	583	23 775
	492 677	430 547

NOTE 6 LEASE COMMITMENTS

MHUS leases its premises from Manitoba Hydro. The lease requires payments of approximately \$12 105 per year. In addition, MHUS is responsible for payment of property taxes which approximate \$2 421 annually. The lease was renewed in October 2008 and will expire in November 2009 with a one year extension option.

NOTE 7 RELATED PARTY TRANSACTIONS

MHUS identifies all financial transactions with Manitoba Hydro separately in its records at the exchange amount. During the period, Manitoba Hydro provided \$477 534 (2008 - \$234 955) in services to MHUS. Amounts due to Manitoba Hydro in the amount of \$25 939 (2008 - \$23 674) are included in accounts payable and accrued liabilities. MHUS paid \$11 920 (2008 - \$12 760) rent to Manitoba Hydro. MHUS has made a term investment of surplus cash of \$625 000 (2008 - \$650 000) which Manitoba Hydro has invested on its behalf. MHUS has currently accrued interest of \$229 (2008 - \$6 180). The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2009

NOTE 8 SHARE CAPITAL

An unlimited number of Class A and Class B shares authorized and ten (10) Class A shares issued. Class B shares are redeemable and retractable and are not entitled to dividends.

NOTE 9 CAPITAL MANAGEMENT

MHUS meets its capital requirements through cash generated from operations and when necessary, through advances from its parent, Manitoba Hydro.

NOTE 10 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2008 have been reclassified in order to conform to the presentation adopted in 2009.